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THE
ROUND TABLE
A Quarterly Review of
BRITISH
COMMONWEALTH
AFFAIRS

Contents of Number 158

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COLOMBO AND THE COMMONWEALTH
THE INDONESIAN SETTLEMENT
A TRUST IN AFRICA
CHRISTIAN DEMOCRACY
THE LONG VIEW FROM WASHINGTON
RACE RELATIONS IN EAST AFRICA

And Articles from Correspondents in

UNITED KINGDOM IRELAND INDIA PAKISTAN CANADA
AUSTRALIA SOUTH AFRICA NEW ZEALAND CEYLON

MARCH 1950

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THE ROUND TABLE

A QUARTERLY REVIEW OF
BRITISH COMMONWEALTH AFFAIRS

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No. 158

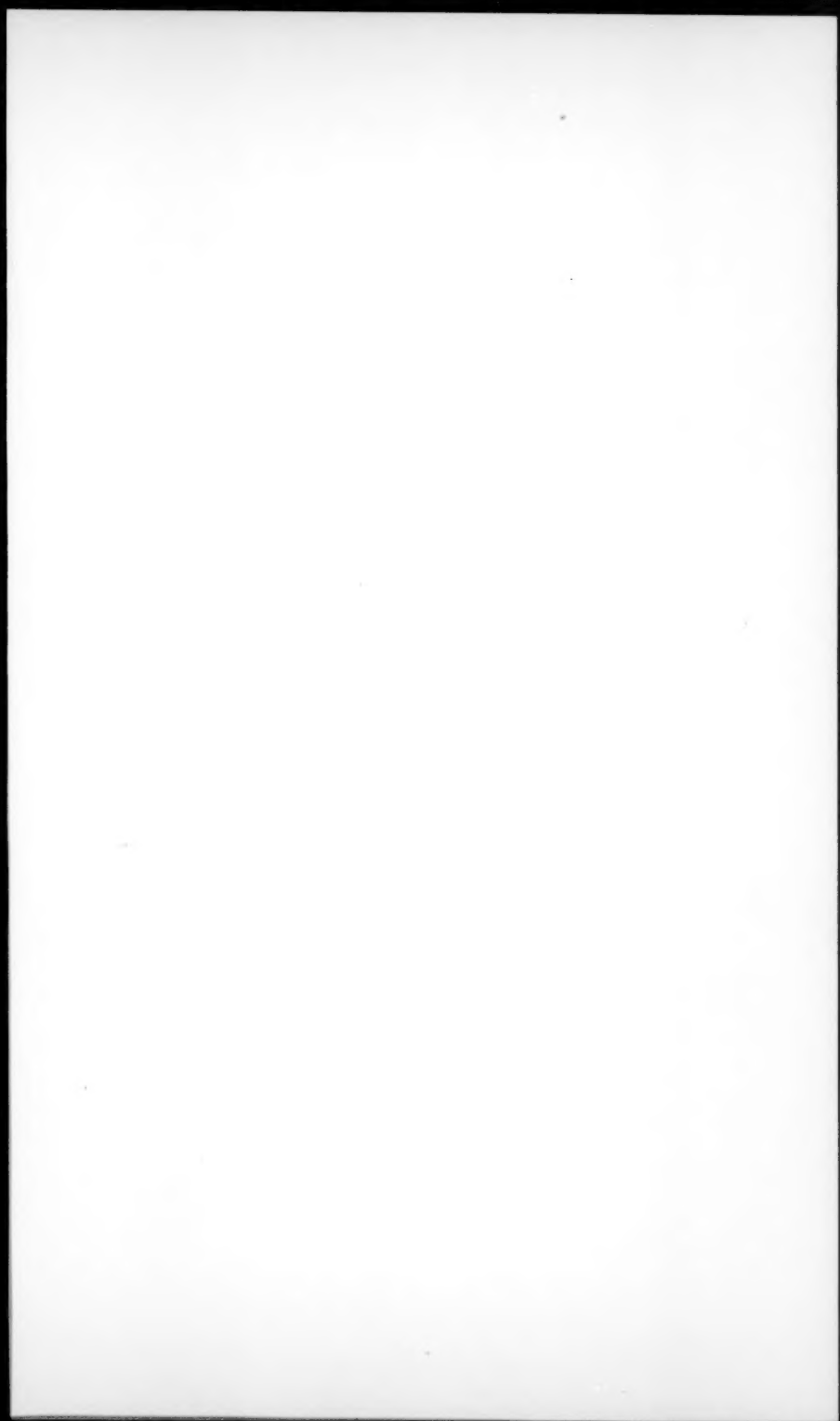
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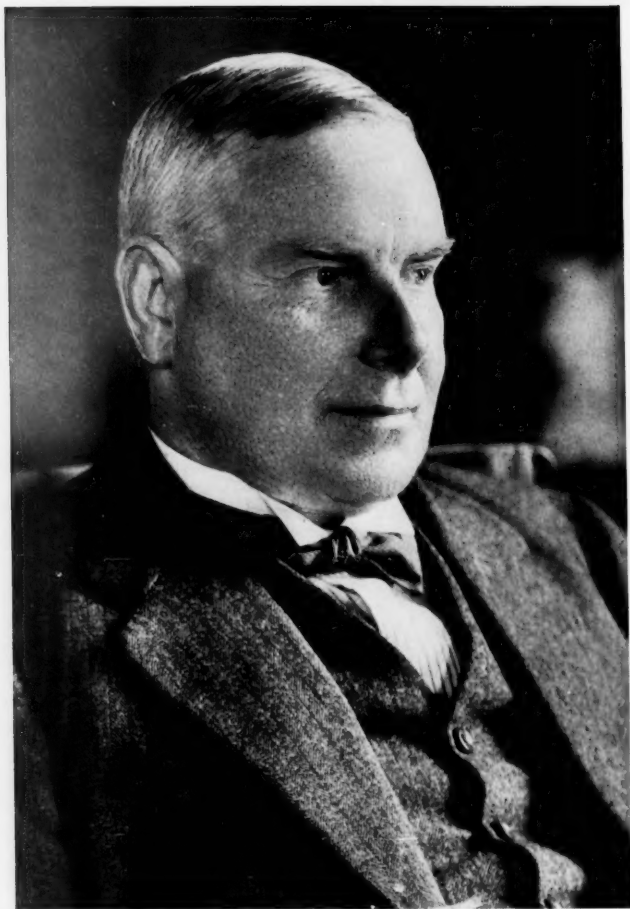
Price 7/6

By air mail 10/-

London: THE ROUND TABLE, LTD.

Printed in Great Britain and entered as second-class matter March 15th, 1929, at the Post Office at Boston, Mass., under the Act of March 3rd, 1879 (Sec. 397 P.L. and R.).





WILLIAM DOWNIE STEWART

WILLIAM DOWNIE STEWART

THE death of William Downie Stewart at Dunedin on September 29, 1949, deprives THE ROUND TABLE of the guidance of one of the wisest minds and the friendship of one of the kindest characters in New Zealand. He had been a member for more than thirty years of the group charged with promoting in the Dominions the principles with which this review is associated and with providing its readers with a quarterly commentary on their country's affairs.

Downie Stewart was born in 1878, the second son and the namesake of a distinguished lawyer who sat successively in both houses of the New Zealand legislature. He entered the family firm, and his legal training was the foundation of his later public life, which brought him even at the early age of 35 to the mayoral chair of his native city of Dunedin. He had just been elected to Parliament when war broke out in 1914. He enlisted, served in Egypt and France, and rose to the rank of captain; but in 1917 he had to return home, crippled with the rheumatoid arthritis which made him for the rest of his life dependent for the power of motion on a wheeled chair. This disaster, which prevented his otherwise probable rise to the highest place in politics, he bore with unflinching courage and with no impairment of his serene, happy and generous temper.

He entered Mr. Massey's Cabinet as Minister of Customs and of Internal Affairs in 1921, and for the next twelve years was the mainstay of his party's policy in all matters related to international commerce and finance. He was responsible for the trade agreements with Australia in 1922, with Japan in 1928, and with Canada in 1931 and 1932; and he represented New Zealand at the Ottawa Conference. In 1926 he had succeeded Sir William Nosworthy as Minister of Finance under Mr. Coates; but at the election of 1928 the voters reacted strongly against his prudent insistence on restraint in external borrowing, and for three years the Reform party were out of office. He returned to the Finance Ministry in Mr. Forbes's Coalition of 1931, but resigned at the beginning of 1933 in a protest of conscience against the policy of depreciation of the New Zealand pound to meet the world depression.

This ended Downie Stewart's political career, though he retained his seat in Parliament until the Labour victory of 1935, and remained in close touch with public life, admired and trusted by members of all parties, until the end. In retirement he devoted himself to literature, writing the lives of Sir Francis Bell and William Rolleston, and editing the journals of his grandfather George Hepburn; all these were distinguished contributions to New Zealand history. He had always had a considerable place in the world of scholarship, and in 1945 the University of Otago, on whose Council he had

first sat in 1912, appointed him Pro-Chancellor. His house in Heriot Row, over which his sister Mary presided, was for many years a centre of hospitality gratefully frequented by many kinds of people, and not least by the undergraduates of the university; and because one of the groups who benefited by its warmth and humanity was that associated with THE ROUND TABLE, there is a peculiar debt to be acknowledged in these pages.

UNITED KINGDOM ELECTIONS

THE DRAWN BATTLE OF THE POLLS

THE general election of February, 1950, has bisected the House of Commons more exactly than it has ever been divided since the party system took its modern form. One remarkable feature is the decisive rejection of both middle parties and eccentric groups. The once mighty Liberal party met a crushing, and now surely final, disaster. They had 479 candidates; more than 300 of these lost their deposits of £150 by failing to secure one-eighth of the votes cast; and only 9 were elected. The Communist party nominated a hundred candidates, practically all of whom polled derisory totals; and even their two members in the old Parliament lost their seats. The fate of the Communists was shared by all the five former members who had been expelled from the Labour party for persistent advocacy of a foreign policy sympathetic to Russia. In the event the Labour and Conservative parties confront one another in almost equal strength, reflecting the division of a country in which in the main the great industrial centres have ranged themselves against the rural areas and the small towns, and a predominantly Socialist north faces a largely Conservative south.

There has been no clear-cut division of opinion on a great issue to compare with that on free trade and protection in 1906 and 1923, or to recall the furious battles over the House of Lords in 1910. Foreign policy was little mentioned from the platform and seems to have influenced very few votes. Mr. Winston Churchill's appeal during the campaign for a new approach to the Kremlin was denounced by Labour as a "stunt". It was certainly not that. Although even many Conservatives thought the proposal impracticable in itself and dubious because so evidently unconcerned with American policy, it strongly appealed to the more thoughtful minds, which had felt a certain incongruity in the electoral debate about standards of living under the lowering threats of apocalyptic weapons to life itself; and attention being thus directed to the grim array of opposed forces in the international field, the Conservative party may have derived some benefit from the reflection that, while the Labour Government had of late failed to give leadership to either Europe or the Commonwealth, they alone possessed a statesman whose voice commanded loyalties throughout the free world.

But those electors who voted with an eye on these larger horizons were probably very few. For the most part both parties laid their emphasis on aspects of their programmes which were in fact inheritances from the agreed policy of the war-time Coalition. Both promised to maintain and improve the social services. Labour proclaimed the twin battle-cries of full employment and "fair shares"; but the Conservatives, while using slightly different phrases, were at pains to explain that they meant essentially the same thing. Both held out hopes of a rising level of real wages and the standard of

living as the result of the increased production which each party stoutly maintained that it alone could secure.

In such circumstances it would appear that the natural means of meeting the situation caused by the electoral deadlock would be to explore the possibility of a coalition. The word, however, has not been and is not likely to be seriously mentioned; for, in spite of the apparent resemblance between the two party programmes as put to the electors, there is no solid ground on which they can unite. This has in fact been an election of suppressed issues. It has been decided—perhaps it would be better to say it has been left undecided—largely on prejudices derived from past fears. Labour has constantly exhibited a grisly picture of social misery between the wars, with unemployment rising, so it is said, to 3,000,000 by 1939 as the consequence of "Tory misrule". The Conservatives have had no difficulty in proving, to those who would listen, that this picture was false, and in particular that the only time when unemployment approached the alleged figure was when a Labour Government was in office in 1931; but not everybody was prepared to listen, and there is no doubt that a strong feeling still prevails among working men that the Labour party seriously cares about preventing unemployment and the Conservatives pay only lip-service to the idea. But for the existence of this impression, sedulously propagated by the trade unions, whose moral authority over their members is naturally at its height in the present situation of full employment, it is probable that the Conservatives would have come to power with a substantial majority. But they do not at present possess a leader able to gain the trust of the masses in such matters, and so lay this spectre of the past—a leader such as was Stanley Baldwin in his best; Mr. Winston Churchill, with all his great qualities, is not the man.

Both sides were content to conduct their argument so largely as an attack and defence of one another's record in the past because to both it was convenient to avert their eyes from the formidable prospect of the future. We live from day to day by the constructive indulgence of the United States. Marshall Aid is due to come to an end in 1952, a fact to which the Labour electoral manifesto "Let Us Win Through Together" made no allusion, and on which Conservative candidates and speakers were reluctant to dwell. Our present budget expenditure is at the rate of about £3,000 million a year. To restore national solvency would require reduction of this figure by about 10 per cent. This is not an enormous proportion, but it could only be done by measures which are against the promises on which both parties have relied for votes. Neither side, therefore, has fully faced the consequences of the cuts in expenditure which are required, although in this respect the Conservatives have been decidedly the more honest. The Labour leaders have said in effect that expenditure *cannot* be reduced, and have ignored the inevitable results if it is not; the Conservatives have said that it *must* be reduced, but their exposition of how that is to be done consistently with the maintenance of the services to which they are pledged is scarcely such as would enable a Treasury clerk to draft a budget for them.

Because of this shared distaste for the contemplation of the tasks ahead, it has been possible for both parties, unconsciously and undeliberately no

doubt, to collaborate in obscuring the fundamental issues by which they are divided. Further progress towards the nationalization of all the means of production, distribution and exchange continues to be inscribed in every Labour manifesto, but very little was said during the campaign about the immediate proposals for nationalizing sugar, cement, insurance and other industries. Nevertheless, the even division of the new House of Commons undoubtedly registers on the one hand the level of continued fidelity to the doctrine of a controlled economy, of which nationalization is the specific application, and on the other the extent of the present revulsion against that doctrine in favour of the contrasted ideal of free enterprise. It may be that the two parties are being continually forced together by the pressure of the straitened circumstances in which the country lives. But it is not to be concealed that they wish to travel in diametrically opposite directions; and for that reason coalition is an impossibility.

Socialism on the Leash

TO the very eve of the election Conservative and Labour leaders alike professed in public their complete confidence in the prospect of a resounding victory. (Even the Liberals prophesied a landslide in their own favour.) In private many of the best informed among them could be persuaded to confess that they feared a heavy defeat. What each side dreaded more than a narrow loss was the possibility of having to bear the responsibility of office, in the exacting economic circumstances to be foreseen, without a working majority. In that embarrassing situation the Labour party are now placed. At a Cabinet meeting immediately after the result was known Mr. Attlee and his colleagues decided not to resign. They could scarcely do otherwise, for the King's government must be carried on, and the alternative of placing the Conservatives in office would have implied an immediate repetition of the election, with no certainty of a more decisive result, and with the budget only a month ahead. The Labour party must therefore face Parliament crippled, with only 315 members in a House of 625. Even if they could win the support of the 9 Liberals, most of whom are definitely pledged to oppose nationalization, this could not be called a working majority. Some nations of the Commonwealth have proved by experience that a Government can continue in office over a period of years while commanding only a majority of one or two in the representative House. This, however, is recognized to be impossible in the United Kingdom. The complexity of government business in this ancient and crowded island community requires Parliament to be in almost constant session for five days in the week (and often far into the night) from mid-October to early August. The House of Commons has to provide from its ranks about 60 senior and subordinate Ministers, of whom most are engaged in daily and arduous work in their departments, and some may from time to time have to travel abroad in the service of the State. In these circumstances it is impossible for the most diligent and ruthless of Government Whips to maintain such a daily attendance in the House of Commons that they can be secure against the risk of defeat in a division on some crucial

question. Before many months have elapsed it seems inevitable that the end must come; that Labour must resign or advise a dissolution, and appeal to the country again in an election at which, it may be presumed, nearly all the surviving Liberal voters will distribute their strength between the two major parties, whether or not the official Liberal organization persists in defying the omens and returning its army of candidates to the fray.

The daily organ* of the Labour party declares, in its first comment on the electoral stalemate, "The Labour party generally opposes any course that would lead to a compromise of its measures." This might mean merely that no bid was to be made for Liberal support; but more plausibly it implied that the party would lay before the new Parliament a programme making little concession to its reduced circumstances, in the hope that, even if it were speedily defeated in the present House, it would gain authority to proceed with its plans after the further general election which cannot be long postponed. But the Speech from the Throne on March 6 showed that they had decided to play for safety. It made no reference to nationalization and gave notice of no major measure, although a warning that the Government would not refrain from contentious legislation should circumstances require indicated that they were only biding their time to resume the programme of socialism.

The next few years, however, will be a far more testing time for socialist theory and practice, in an economy wide open to the world, than the last five under the shelter of Marshall Aid. Foreign policy, no doubt, will continue to influence the strength of the Government in the country only through its impact on the economic interests of the voters. The Labour stalwarts who have now just held off the Conservative attack will judge their party in the main by its success in avoiding unemployment and maintaining the standard of life. The country as a whole will accept this criterion as important, but will judge them also by their ability to maintain and strengthen our external reserves, to uphold the stability of sterling, and to fortify the sterling area. It should be recognized—as the bulk of the electorate certainly does not recognize—that there is as yet no one who knows how to steer a managed economy between the dangers of unemployment on the one hand and continuous inflation followed by more devaluation on the other. On the basis of Keynesian principles the economists of the world, and in particular the "planning" economists, are working out many ingenious ideas, some of which no doubt will be fruitful; but still there is no one who can say with any certainty how these ideas will work out in practice or measure the height of the practical and psychological barriers they will encounter.

The Socialists, however, have entirely thrown over old systems which relied, to restore stability, on the use of the rate of interest and credit restriction. Such systems are anathema to socialism because they involve at least some temporary unemployment; but those who would dispense with them are necessarily committed to a managed economy. This, if the Labour party can so far recommend it to the country in the next few months as to have their strength replenished when the time comes to ask for a less equivocal

* *The Daily Herald*, February 25, 1950, p. 1.

mandate, will be tried in the next few years in the unfavourable conditions of the dollar gap. The likelihood is that restriction of wage increases at any rate—and with it should logically go restriction of dividends—will break down. Thus inflation will be extremely difficult to avoid, and serious inflation in the present circumstances of the United Kingdom might even lead to further devaluation. Very definite plans will no doubt be framed, and announced for application if the party ever finds itself more strongly placed, to redistribute wealth more quickly than the death duties, aided by the widespread habit of living on capital, are now doing. The danger is that the Socialists will ignore the fundamental risks that their policy involves to the whole economy of the nation. With huge taxation goes a consequent lack of savings and of capital for industry; and so the failure to continue and complete modernization adds to the difficulties of securing the minimum share of the world's export trade which we must have. The way to strengthen our reserves and to stabilize sterling is not in sight.

The Labour party therefore still face the problem of reconciling their concept of the Welfare State, of fair shares, of no unemployment, of general ease all round—i.e. the internal problem—with the inescapable requirements of our external position. Their economic advisers will say that this reconciliation can only be made by more and more control, more and more management, and particularly more and more direction of everything, almost certainly including labour. "Full" employment can only be had at a price; for if people want employment always and at once they must be employed where the state tells them they are needed.

The decision of the electors, to which one contribution undoubtedly has been a revolt against the dominance of an over-powerful executive exercising unchallengeable control over the House of Commons, now forces the Labour Cabinet to justify their attitude on these difficult issues in a House where debate will be rigorous and on equal terms. At some point in the proceedings, and a point which they can have no certainty of being able to choose for themselves, they will have to take the whole complex of issues back to the electors for a second judgment. It is to be hoped that the new House of Commons, which is invested with an authority in relation to the Government out of all proportion to its small expectation of life, will at least last long enough to pose the fundamental issues rather than the largely unreal ones which were put at the recent election. The Conservative party are in such a position that, with adroit parliamentary tactics, they could probably force a dissolution at almost any time. The Opposition has its own share of responsibility for providing that the King's government may be carried on. The mortal infirmity of the new parliament is too pathetically apparent to need emphasis. Its fate may be left to the hand of nature; it is neither statesmanship nor good party strategy to attempt artificially to hasten its demise. Probably the best counsel for Conservatives is

Thou shalt not kill, but need'st not strive
Officiously to keep alive.

COLOMBO AND THE COMMONWEALTH

'THE GRAVITATIONAL PULL OF ASIA

EVOOLUTION, not revolution, is the life-process of the Commonwealth. But it is rapid evolution, and twice within the lifetime of most adult men and women the Commonwealth has radically changed its character. The change from the pre-1914 Empire—in which, however complete the internal autonomy of the Dominions, the great issues of foreign policy and defence remained under central direction at Westminster—to the British Commonwealth of Nations, equal in status though not necessarily in function, which flourished between the wars, is a familiar historical fact. The extent of the change from the pre-1939 Commonwealth to the Commonwealth of to-day has yet to be fully realized by the general public.

It has two elements of equal importance. One is the growth in the stature of the Dominions as distinct from their status. Independence and equality of status have, indeed, been consummated in the agreement to retain as a full and equal member of the Commonwealth a country which has used its freedom to become a republic: but this, historically viewed, was little more than a logical fulfilment of a principle already established. More important was its positive aspect—the acceptance of the Crown, even by the Republic, as Head of the Commonwealth and symbol of its unity, which is something more than a mere summation of its parts. Stature is a different matter. The Dominions have grown, partly as a result of the war itself, not only in strength but also in experience and in self-assurance. Each has developed its national consciousness and its national will. Each has its own outlook on the world. Canadian foreign policy, Australian foreign policy, and so forth, are terms now full of meaning.

The second element in the metamorphosis is the membership of the three new Asian nations, India, Pakistan and Ceylon. It is linked with the first element because they were, of course, always part of the Commonwealth—but not independent members, and therefore not contributing their own specific world outlooks and national policies. Their admission as equal and sovereign members, while not shifting the physical centre of gravity of the Commonwealth, has certainly shifted its political centre of gravity. Of eight such members three are situated in southern Asia, with characteristic Asian outlooks and interests. Since each nation's world map is egocentric, theirs is very different from Britain's, from Canada's, from that of any other Dominion. Their attitude towards racial and imperial questions, so vital in world affairs to-day, is also characteristically different. Their presence makes a new Commonwealth, full of potentialities for new forms of good, especially in the field of race relations, and in linking the disjunct sectors of the non-Communist world.

Would those potentialities be fulfilled, or neglected? The question

remained open. The importance of the Colombo Conference of Commonwealth Foreign Ministers, held this past January, was that it began, though with some faltering and confusion, to give a positive and encouraging answer.

The choice of the meeting-place proved happy. Attention was focused from the first on the problems of Asia, among the whole range of world affairs which fell within the agenda. Ceylon is neutral ground between India and Pakistan, whose bitter dispute over Kashmir and subsequent matters remains the worst blot of all on Commonwealth relations. The Conference afforded a useful, if imprecise, lesson in world issues for the Government and people of the least experienced of the new nation members.

Even, however, if the Conference had been in London or Wellington, Asia would surely have dominated its debates. In Asia, history is to-day most hurriedly on the march. The conquest of China by Communism is almost complete. War—part civil, part a local symptom of larger struggles—afflicts alike Burma, Indo-China and Malaya. The United States of Indonesia comes to a war-starred birth. Looking at this troubled sector, strategically and politically so vital for both the new and the older nations of the Commonwealth, the delegates perceived that neither in strategy nor in politics can there lie the whole or even the main part of the solution of the problem it presents for them. They concluded that the key was economic and social. For, they argued, neither military force nor political manoeuvre can withstand an enemy who works as well behind the lines as in front, whose appeal is to poverty and discontent.

Nor, indeed, was there much prospect of agreement within the Commonwealth on common political or defensive action, however important this might be deemed. The Asian Dominions have no intention of committing themselves now to any regional military pacts; and even for the others concerned the frontier of such pacts is too indeterminate, the possibilities too uncertain, for realistic decisions on such lines. On such incidental political issues as recognition of the Mao Tse-tung régime in Peking or the Bao Dai régime in Indo-China, there are actually sharp differences of policy, which were elucidated and passed over at the Colombo Conference.

A Ten-year Plan

AGREED, as they were, on the need for joint action to help raise the economic and social standards of the peoples of South-east Asia, and thus at once lessen the appeal of Communism and strengthen the ties of interest and regard that link those peoples with the democratic world, the delegates did not find it easy to frame a plan of action. The Commonwealth has great resources—but each of its countries, taken separately, has serious economic problems which limit their use for this purpose. Britain, for instance, so far from having a margin of exports to spare, had to explain through the mouth of Mr. Bevin that the strain on her balance of payments was such as to prevent, or at least endanger, her continuing on the present scale the “unrequited exports” which since the war, largely by the running-down of India’s and Pakistan’s sterling balances, have represented no less than £750 million of

economic aid to Eastern countries. Each of the Dominions likewise has its own economic difficulties and deficiencies.

Nevertheless, largely under Australian and Ceylonese initiative, the Conference pursued a project whereby each contributing member would consider what, physically, it could put into the pool of help to the beneficiaries—who need, above all, food, and the means to produce, harvest and transport food; and those contributions would be made disposable through a scheme of sterling credits. (The proposed temporary loan of £7,500,000 to Burma to move the rice crop, half to be contributed by the United Kingdom and half by the other members, which was also discussed at Colombo, is a separate and even more urgent issue.) Short-term and immediate aid appears to be the first objective. But there began to take shape a ten-year plan, designed so to help these impoverished countries to help themselves that thereafter fruitful trade and finance might proceed on normal lines between the richer and the poorer, lenders and borrowers, sellers and buyers of food or manufactures, without adventitious Government aid.

More than that, the published reports of the Conference—including a final communiqué which said even less, and in more turgid phrases, than these documents usually do—have not told us of the economic plan. It seems, in fact, still to be very inchoate.

As important as the project itself, however, was the decision to support it with a standing consultative and advisory mechanism. This, too, has yet to take definite shape. But it was agreed to hold at the earliest possible moment an expert conference to consider the setting up of a permanent committee to advise the Governments on the working of the plan. This conference is to be held in Canberra—again appropriately, for of all the post-war developments of Dominion foreign policy none has been more significant than the orientation of Australia's interest towards the north, that is to say, towards South-east Asia, her neighbour and the finger of danger pointing from the Communist world to her sector of the Pacific zone.

The agreement at Colombo on this course suggests that earlier inhibitions about a permanent Commonwealth secretariat are at least beginning to wither. They most affected, however, Canada and South Africa, the countries least nearly touched by the South-east Asian problem; and their continued existence is implied in the fact that nothing more has been heard in public of the "recommendations for improving Commonwealth consultation on foreign affairs, economic affairs and defence" which the Prime Ministers' Conference of October 1948 "submitted to the Governments for consideration and decision".

Nor would it do, despite the success of the Colombo Conference, to deduce that all is well in Commonwealth relations, or that unity in face of common dangers is an accomplished fact. How could these things be, when two great member nations glare at each other in a posture of war across an iron curtain of mutual suspicion rising to hate? The Kashmir dispute, and all that it has led to, emasculate the strength not only of India and Pakistan but also of the Commonwealth to which they belong. The failure to settle it is a failure of Commonwealth statesmanship—failure, above all, to perceive that

arguments over principles or the terms of a plebiscite are only the superficial expression of underlying facts and fears: communal fears, the age-long fear of the frontier, fear for the waters that flow from the mountains of Kashmir and bring life to the plains of the Punjab and Sind. While that debilitating struggle continues, neither can India and Pakistan take their places as leaders of southern Asia, from Suez to the United States or Indonesia.

It seems that the Middle East played little part in the Colombo discussions, less part, perhaps, than its importance deserved. Nor did the Conference spend much time on the relationship of the Commonwealth to the movement for European unity. It is now accepted by the Dominions, without further debate, that until European union becomes constitutional, or includes such exclusive devices as a customs union, Britain's partnership in it does not prejudice her relations with them, nor weaken the Commonwealth, but strengthens it. It is to western European countries, not to those of the Commonwealth, that the British Government has now to address its apologies on our dual position as at once a European and an oceanic nation.

The Colombo Conference showed, then, a Commonwealth ready for common action in common interests, provided national freedom was not impaired. On the nature and extent of common interests, of course, there are different views. The crucial question of a peace treaty with Japan, for example, is a focus of disagreement, according as the emphasis of national policy is on Asiatic nationalism, the danger of Communist advance, or the danger of renewed Japanese aggression; on the need for cheap Japanese goods or the threat of unfair Japanese competition. Even here, however, it emerged that the Commonwealth countries are anxious to keep in the closest *rapprochement*, realizing that their continued association saves them from being played off as self-nullifying minor Powers. The new Commonwealth has emerged from the Colombo test with the flag of hope still flying high.

THE INDONESIAN SETTLEMENT

By a Netherlands Correspondent

ON looking at the settlement in which the Round Table Conference at The Hague has just resulted, one is driven to ask: Why had all this time to be spent in quarrelling and strife to arrive at a solution which on the face of it is no more than a confirmation and elaboration of what had already been agreed to at Linggadjati in 1946?

No sensible Dutchman will deny that disagreements among Dutch parties had sometimes an unfortunate effect, although Dutch policy may be said to have remained true to the aim laid down at Linggadjati: the establishment of a sovereign Indonesia, somehow connected with the Kingdom of the Netherlands. But the chief cause of the delays and clashes since 1946 is here seen in the fact that the Government of the Republic of Indonesia (which in fact never included more than Java and Sumatra) did not sincerely give up its ambitions to extend its rule over the other islands, where in the meantime separate governments had been formed, and that it was, moreover, unable to control its extremist groups and its own army (T.N.I.)—in short, to secure order and carry out its undertakings. It was this that twice drove the Dutch to what they termed "a police action", in July 1947 and in December 1948. On both occasions military success was easy and swift, and large tracts of Republican territory were brought under Dutch control and became the basis for further separate governments. The first action was, in the estimation of the Dutch, a political as well as a military success; but when the second was undertaken the Federal Governments, which were always willing to co-operate, held aloof, and in Java guerrilla warfare persisted even after the occupation of Djocja.

The change in the atmosphere was imputed by the Dutch to the ill-advised interference of the United Nations and the way in which that body and its representatives on the spot, the Good Offices Commission (later on U.N.C.I.), ignored or condoned the excesses and transgressions committed by the T.N.I. or by the Republic itself. The refusal of the Security Council to admit the Federal Governments to a hearing together with the Republic had a specially discouraging effect on the moderate elements in Indonesia. It has to be admitted that the situation was made worse, on the occasion of the second military action, when the Dutch authorities on the spot (Dr. van Mook had been replaced as Governor General in September 1948 by the ex-Prime-Minister—a member of the Catholic party—Dr. Beel), in direct contravention of the line of policy laid down at The Hague, attempted to eliminate the Republic as a political factor once and for all. The effect was only to bring out more impressively the enhanced appeal which the Republican leaders, Sukarno and Hatta, from their place of confinement at Banka, were able to make to national sentiment.

Was it then as vanquished, and simply giving way to ever-increasing international pressure, that the Dutch Government sent Dr. van Royen to Batavia

(now Djakarta) in order to resume negotiations with the Republican leaders? No doubt a plain recognition of the failure of the latest resort to arms helped to shape policy at The Hague, and the strain of an effort which required the presence in Indonesia of nearly a hundred thousand Dutch conscripts was felt more and more heavily. Yet there is a good deal more to it than this.

The Republican leaders, too, were subjected to an almost unbearable strain. All the sympathy of the U.N. and the applause of the Indonesian masses could not blind them to the precariousness of their position. The new separate governments in Java and Sumatra might rest under the odium of having been set up in co-operation with the Dutch; some of them at least were founded on very real ethnical and linguistic distinctions. The longer they were allowed to carry on, the more difficult it might be to bring them to heel. But even worse was the danger of the extremist tendencies against which they had so often been helpless and from among which there now rose a new and particularly virulent movement. The Dar-ul-Islam is a fanatical Mohammedan group (distinct from the ultra-conservative and in its own way also very troublesome Masjumi, of orthodox Mohammedans). To the Dar-ul-Islam violence comes naturally and it is, paradoxically enough, permeated with Communist influences.

These facts should be taken into account when an attempt is made to picture the situation in which a new course was set by the van-Royen-Rum agreement (May 1949). The conversations of which this was the outcome had taken place under the mediation of the U.N.C.I. The Dutch Government declared its willingness to allow the Republican Government to return to Djocja, and to evacuate not only that town but the surrounding district, as a preliminary (in accordance with the wishes of the U.N.) to a Round Table Conference to be held at The Hague. On their part the Republican leaders were to order a cessation of guerrilla warfare. At The Hague the Federal States were to be represented on an equal footing with the Republic. (The exclusion of the Federals as "puppets of the Dutch" by the U.N. was now proved to have been a mistake, and on this main point Dutch policy was justified.) The aim of the conference was, again in accordance with Dutch policy for years, to establish the United States of Indonesia, in which the Republic was to be one of the constituent states. Mr. Rum could speak only for the leaders Sukarno and Hatta, who in their isolation at Banka did not look upon themselves as constituting a valid Government, but who gave their personal undertaking to urge the points of agreement strongly upon the Government as soon as it should find itself restored at Djocja.

So here was another agreement, after those at Linggadjati and the Renville, but seemingly more uncertain than those, because dependent on the personal assurances of individual leaders. If it worked this time, the factors mentioned above are not the only ones of importance. There was also the rôle played by the Sultan of Djocja, whose emergence to national leadership was one of the unforeseen effects of the occupation and evacuation of that town, and who, on being charged by the Republican Government with the maintenance of order, gave proof of being not only sincerely desirous but capable of doing so. There was the fact, furthermore, that Dr. van Royen,

who in defending the Dutch case before the Security Council had always, while not sparing the Republic, preserved courteous and even friendly relations with its representatives, had managed to impress Mr. Rum and the other Indonesian leaders with the sincerity of the Dutch Government's desire to see the matter through. The resignation of Dr. Beel, whose relations with the Cabinet at home had for some time been strained, undoubtedly helped to clear the air of suspicion. The Republican Government's endorsement of the van-Royen-Rum agreement, and the response to its cease-fire order, finally set the stage for the negotiations at The Hague. There was no lack of unpleasant incidents, but the Dutch Government stuck to its determination to attach no undue importance to them.

The Round Table Conference

THE Round Table Conference was opened, in the historic setting of the Binnenhof, on August 23. It led to an agreement signed on November 2. Its history can be described in very different fashions. From one point of view it appears as a series of concessions, or of surrenders, on the part of the Dutch Government. There is but one point on which disagreement had to be admitted. Within a year's time the question of the status of New Guinea (the western half of the island, the eastern half being Australian) will have to be considered anew. It is obvious that New Guinea, an island very sparsely inhabited by a Papuan population in a primitive state of civilization and with no linguistic or ethnical affinity to the Indonesian peoples, can be claimed by the United States of Indonesia only because the Dutch happen to be in possession there. But then the unity of the whole of the archipelago is a creation of Dutch conquest and Dutch rule, and it is natural for a young nationalistic state to develop ambitions of an imperial or colonial nature, even when its energies will for a long time to come be fully occupied by its own economic and social problems. By an irony of history, Australia, which was one of the strongest critics of Holland in the United Nations, and whose member on the Good Offices Commission and later on the U.N.C.I. always sided with the Republic, is now the most determined opponent of the admission of Indonesia to an island where she has her own interests.

Apart from New Guinea, the Indonesians got at The Hague what they wanted, and more than they expected. There were still illusions in Holland, when the conference opened, of what was termed "a heavy union", that is to say a union fitted out with powerful organs. The idea met with as much scepticism among Dutch political thinkers as suspicion among the Indonesians. The Republicans and the Federals had agreed upon a common programme before setting out for Holland, and if some people in Holland still hoped it would be possible to play off the Federals against the Republicans, they were soon undeceived. The union as evolved in the negotiations became very "light", although, as it is sometimes consoling pointed out, "heavier" than that of the British Empire. There are to be two completely separate, completely sovereign governments, and all that the union amounts to is consultations at regular intervals and mixed commissions for foreign, economic, financial and cultural affairs with no more than advisory powers.

A concession which was most unpalatable to many Dutchmen was that the style under which Queen Juliana is to preside over the Union is merely that of "Head". It is argued that it is the hereditary character of the position that matters.

But in any case that position is no more than symbolic. The Dutch army is being repatriated as quickly as practicable. The naval base of Surabaya is to be under the command of a Dutch officer, selected by the Indonesian Government from three presented by the Dutch Government and responsible to the Indonesian Government. The Dutch civil service in Indonesia is to be taken over by the Indonesian Government; individual members are at liberty to resign, in which case the Indonesian Government will have no further financial responsibility for them. Dutch investments and possessions in Indonesia are guaranteed. The Constitution of the U.S.I. is attached to the agreement as an appendix. Its federal character has been the crux of the struggle between Holland and the Djocja Republic and it now forms part of the Union Statute. The territory of the Djocja Republic, now one of the States of the Federation (although it retains the name of Republic of Indonesia), is in this document stated to be that described in the Renville agreement; that is to say the amputations effected by the first Dutch military actions are recognized, and in fact Madura, West Java, East Sumatra, &c., are mentioned as States on an equal footing with the Republic. But nobody expected these arrangements to survive the transfer of sovereignty, and as a matter of fact Madura and East Java have already voted their return to the Republic, while the position of the Government of West Java (Pasundan) is shaky. What is felt with especial bitterness in certain circles is that no particular provision was made for those smaller regions like Ambon and Minahava, which were the main recruiting-grounds for the Dutch East Indies standing army (the K.N.I.L., not to be confused with the Dutch expeditionary army), and where a desire was manifested to preserve a special tie with Holland. The Indonesian Constitution does provide for districts to claim the status of States, but the practical possibility seems quite nugatory—apart from the consideration that as things have developed the interests of these smaller regions too obviously lie with the Indonesian Federation and would not even be served by detaching them from the state of East Indonesia.

The States General and the Settlement

FOR the ratification of the agreement by Holland a two-thirds vote in each of the two Chambers of the States General was required. Of the Dutch parties only the Communists (8 out of 100 in the Second Chamber, that is the Lower House) and the orthodox Protestant Anti-Revolutionary party (13, *plus* 2 even more extreme Fundamentalists) were unshakably opposed. In the Catholic party (32) and the other Protestant party, the Christian Historical Union (9), as well as in the Liberal party (8), there was, however, much heart-burning. The Catholic party is, of course, with the Labour party (27), the chief pillar of the Government; the Overseas Minister, Mr. van Maarsseveen, himself belongs to it. The C.H.U. and Liberal party are each represented by one member in the Cabinet, the Liberals by Mr. Stikker, who as

Foreign Minister had played an important part in setting the new course. The Anti-Revolutionaries described the Government's policy as a truckling to revolution and a weak-kneed surrender to the U.N. The agreement seemed to them tantamount to betraying the sacred trust of Holland to secure order in Indonesia before handing over the sovereignty: handing it over now, according to them, means delivering the Indonesian peoples, together with Dutch residents and Dutch interests, to chaos. There is that in this argument which could not but appeal to many in the country. The idea of Holland's having a task to fulfil in Indonesia has profound roots in the public mind; the unconditional handing over of that task to an untried group of men, very much divided among themselves, and whose ability to cope with the immense problems may well be doubted, was apt to rouse feelings of frustration and of humiliation.

It is needless to labour the point. The weakness of the Opposition has been all along, not only that they seemed to underrate the strength of awakened nationalism in Asia, but especially that they chose to ignore the pressure of the U.S. and of the U.N., or remembered it only to denounce it as the outcome of prejudice or ignorance; which may be very true, but which did not dispose of the international problem by which Holland was faced. The particular weakness at the moment of voting in the Chambers was that matters had gone too far for it to be possible to reverse policy without inviting disaster. Mr. van Maarsseveen, in the very able speech in which he defended the agreement, did not scruple to use this argument. One fact in particular was bound to make an impression on the waverers in the Liberal and Catholic ranks: the insistence of the Dutch planters' interest in Indonesia and of business circles generally that there was now no other way.

In the end the ratification was passed by the requisite majorities. The Socialists, Catholics and Liberals voted unanimously in favour. The Christian Historicals were split in two in the Lower House (4 for, 5 against), and voted solidly against in the Senate, after having calculated (so it was said) that they could safely do so without endangering the ratification.

The Transfer of Sovereignty

IT should not be thought, however, that the mood in which either the Cabinet or the States General took these momentous decisions was one of bitterness and despair. As has been hinted already, a history of the Round Table Conference can be outlined in which the accents fall very differently from those in the sketch given above. The important point would then be the restoration of confidence between the two sides. There were no doubt difficult moments in the negotiations, and the U.N.C.I. had once or twice to come to the rescue. Nevertheless the impression of the conference prevailing in wide circles has been of the friendliness of the relations established and of the sincere striving of both sides after solutions that could serve as a basis for future co-operation.

Once they were assured that the Dutch were not out to whittle away their sovereignty, even the Republicans freely admitted that they still needed their advice and assistance. The near prospect of responsibility, the sense of

danger from the extremist groups in their own country, seemed to have a sobering effect. Their estimate of what Holland might still mean to them was heightened by what they saw of the country. Many of them knew Holland from their university days, but they had somehow come to think that she was irretrievably damaged and weakened by the war. They were impressed by the reconstruction accomplished, by the social stability. Visits to the State mines in Limburg, to the Zuider Zee works, filled them with admiration. To the amazement of foreign observers there was seen to reign cordiality between visitors and guests who had so lately been denouncing each other in the forum of the world. Leading politicians of all Dutch parties had been drawn into the negotiations, and the numerous members of the Indonesian delegation came into wide social contacts.

Unless prejudice or principle were too directly opposed the Dutch, too, were charmed and agreeably surprised. The ceremony in Amsterdam, when the sovereignty was solemnly transferred by the Queen, was tuned to this atmosphere. The Queen acts on the advice of her Ministers, but Queen Juliana is, like her mother (however different in other respects), a forceful personality, and the tone of voice with which she pronounced the words that it was a *privilege* for her to make this transfer, and to initiate the period of working together in freedom and on a footing of equality, was as eloquent as was the handshake with which she obviously surprised Mr. Hatta after he had concluded his brief speech.

Nor was it only a matter of words or of gestures. Mr. Drees, the Prime Minister (Labour party), in his speech in the Senate just before the vote on the ratification was taken, was able to point to facts—in the first place the fact that in the leading positions of the Republic the “constructive elements” had come to the top. The Communists were now definitely in opposition there. And however “light” the Union might have turned out, the spirit in which it was going to be worked appeared from the willingness of the new rulers to build up a naval force in co-operation with the Dutch navy, to accept a military mission of instructors for their army, to send their intending diplomats to The Hague to be trained in the Foreign Office there. Their being ready to continue the Dutch civil service and other services was no less significant, and particularly important was the decision not simply to disband the K.N.I.L. (Dutch-trained Indonesians, between whom and the T.N.I. there were particularly bitter feelings), but to incorporate members or units in the new Federal army.

It will shed some light on the state of public feeling in Holland that while some months ago many Dutchmen in Indonesia were sending their families away and the boats sailing for Java had many empty berths, now there is not room enough for people returning or going out to take up new jobs.

Yet in spite of all this it is impossible to end on a note of unqualified optimism. If the outlook, from the point of view of Dutch economic and cultural interests, may be said to be unexpectedly hopeful, it is on the assumption that Mr. Hatta and his team will succeed in keeping developments under their control. But to this assumption one cannot help adding a question-mark. Reports from Indonesia continue to be fairly cheerful, but nobody can

close his eyes to the fact that there are a number of considerable dangers ahead.

There are, first of all, the Dar-ul-Islam and the Communists. Indonesia is, as a result of the Japanese occupation and of the destructive methods of the T.N.I. in the years immediately behind us, an impoverished country. If sovereignty is seen to be no cure for want, will not the excitement which has found vent in the cry of Merdeka (Liberty) seek other outlets? Strikes are already beginning. There is, furthermore, the Masjumi, which may be expected, if it came into power in the Republic, to initiate a régime of exclusiveness and of intolerance. There are, next, the unsolved problems of Federalism. The situation in Pasundan is tense. Sumatra, with its medley of peoples in very different stages of social and cultural development, is a potential storm centre. The incorporation of the K.N.I.L. is not proceeding without incidents. It is especially the Federal Governments which are anxious to have K.N.I.L. at their disposal in order to escape the need to allow their territory to be patrolled by T.N.I. forces, the potential agents of Javanese ambitions. Finally, there is the question of New Guinea, which may at any time be used to work up feeling against Holland once again.

Captain Westerling's Escape

Postscript. On January 22 news arrived that Bandung had been occupied by troops of Westerling, a Dutchman born in Turkey, who was a captain in the K.N.I.L., and whose name is connected with excesses committed in S. Celebes in 1945 during the repression of an insurrectionary movement. He was demobilized about a year ago, but still a dangerous and enterprising adventurer. What he is out for remains obscure. He seems to have had some disgruntled or reactionary Dutchmen with him, but his chief contacts were apparently with the Pasundan Government. His followers are, first, K.N.I.L. deserters, impatient or distrustful as a result of the shilly-shallying of the new régime in the matter of their re-engagement; secondly, deserters from the T.N.I. There are constant reports about connexions with, paradoxically, the Dar-ul-Islam. The clearest result of his "putsch" has so far been the collapse of Pasundan, whose legislature has transferred its powers to the Federal Government. So long as Westerling remains at large, the prestige of the Federal Government must nevertheless suffer. Fortunately, Djakarta soon recovered from an inclination to hold the Dutch responsible for an affair which could have none but disastrous consequences for them.

Reports about T.N.I. in the country-side exacting tribute from planters and in big towns corruptly trafficking in gambling licences, in despite of the civil authorities and against regulations, are causing anxiety.

Since our correspondent wrote his postscript Westerling's movement has collapsed and Westerling himself has been sent to prison for a month by a Singapore court for illegal entry into the colony.—Editor.

A TRUST IN AFRICA

THE PROBLEM OF THE PROTECTORATES

THE South African High Commission Territories, Basutoland, the Bechuanaland Protectorate and Swaziland, are essentially native reserves, though a considerable part of Swaziland and some outlying districts on the boundaries of the Bechuanaland Protectorate are European-owned and occupied by European settlers. Like all native reserves in this part of the world they are extremely poor; unable to support their population except by exporting part of it as migrant labour to the farms and gold-mines of the Union; and dependent on external assistance for anything more than the most rudimentary administrative and social services. They derive their importance from the fact that though geographically part of the Union of South Africa, by which Basutoland is entirely and the other two are very nearly surrounded, they are administered by the United Kingdom Government and are consequently liable to become a source of friction with the Union Government.

This anomalous situation originated in the last half of the nineteenth century, when first Basutoland in 1868 and then the Bechuanaland Protectorate in 1885 were taken under the Queen's protection at the request of their chiefs to save them from falling into the hands of the Orange Free State and the South African Republic respectively. At this time the British Government, as one of their High Commissioners in South Africa observed, had "an intense horror of additional responsibility, which to them means money and troops"; and they took the first opportunity of ridding themselves of these unwelcome commitments by transferring Basutoland to the Cape Colony in 1871 and arranging for the Bechuanaland Protectorate to be taken over by Rhodes's new Chartered Company in 1895. Unfortunately a few years after transfer the Basuto rose against the Cape Government, who after unsuccessful efforts, including a visit by General Gordon, to put down the rebellion insisted on handing Basutoland back to the British Government; while the plan for disposing of the Bechuanaland Protectorate fell through at the last moment owing to the Jameson Raid. Thus by the end of the century the British Government, much against their own wishes, found themselves with these two native territories in South Africa still on their hands.

The third of the High Commission Territories, Swaziland, maintained a precarious independence till the last years of the century, when, as a result of the wholesale concessions granted by a drunken native chief, it was subjected to peaceful penetration by the Transvaal in the form of European settlers, who made some form of European control unavoidable. After the failure of an attempt at joint administration, the British Government agreed to give the South African Republic powers of administration and protection in Swaziland without actual incorporation. This arrangement was terminated by the Boer War, as a result of which Swaziland passed with the other two territories under the High Commissioner in South Africa.

In 1908 the decision of the four self-governing South African colonies to

call a Convention to consider closer union made it necessary to consider the relations of the Territories with a united South African Government. It was clear that the South African leaders were anxious to be given control of these three native territories; that in order to get them they would be prepared to accept any terms and conditions which the British Government considered necessary to fulfil their obligations to the native inhabitants; and that their retention would be bound in the end to lead to serious friction between the British and the South African Governments. There were therefore strong arguments in favour of transferring the Territories at once to the new South African Government. On the other hand the natives begged not to be handed over and it was certain that there would be strong opposition in Parliament to transferring the Territories until more was known of the future South African native policy. It was therefore decided to wait and see how the new South African Government developed, while making provision for eventual transfer, subject to adequate safeguards for native rights and interests. Proposals on this basis were agreed with the leaders of the Convention and embodied in the South Africa Act, which makes provision for the transfer of the Territories, subject to elaborate safeguards of native rights and interests embodied in the Schedule to the Act.

During the debate in the House of Commons on the South Africa Bill the Government pledged themselves that before any transfer took place the wishes of the inhabitants of the Territories would be fully considered and that the House would be given an opportunity for discussing the matter. The first of these pledges does not go so far as to make transfer conditional on the consent of the natives—oddly enough the only ministerial pronouncement in that sense has been made by General Hertzog, who in 1925, when he was Prime Minister of South Africa, declared: "Our position has always been as a party that we are not prepared to incorporate in the Union any territory unless the inhabitants of the territory are prepared to come in." Since then the Union Government themselves have recently adopted the course of consulting the natives of South-West Africa on the question of the incorporation of their Territory in the Union. The fact remains, however, that though formally leaving the Government's hands free, in practice these pledges would make it very difficult to transfer the Territories without the acquiescence of the natives.

No pledges have ever been given to the Union Government on the subject of transfer. It is true that section 151 of the South Africa Act makes provision for transfer, and that ministerial statements in the course of the debates on the South Africa Act made it clear that it was expected that the Territories would some day be transferred to the Union. The wording of section 151, however, is permissive, not mandatory, and is in the same terms as the preceding section, providing for the admission to the Union of Southern Rhodesia, which in the event has decided to remain outside; and the ministerial statements referred to can clearly not be regarded as constituting pledges that the Territories would be transferred at any definite date. The position has been well summed up by Professor Hancock: "It would be wrong to say that Great Britain involved herself in contradictory pledges. By the vagueness of her pledges she created contradictory expectations."

The settlement of 1909 was based on the hope—which in those days seemed not an unreasonable one—that in a united South Africa the liberal influence of the Cape, where natives enjoyed the same political rights as Europeans, would prevail over the three northern provinces. Unfortunately Cape liberalism, far from sweeping the country, has suffered a series of setbacks, each of which in its turn has set back the prospects of transfer. Thus, though every South African Government since the Act of Union has from time to time raised the question of transfer, the problem of reconciling the conflicting claims of the Union and of the native inhabitants of the Territories still remains unsolved.

Three Parties to the Debate

THE Union case for claiming these Territories may be stated as follows. Geographically, racially and economically they form part of the Union. Their inhabitants enjoy unrestricted access to the Union's market, on which they are entirely dependent for the disposal of both their produce and their labour. Yet while enjoying for these purposes all the advantages belonging to the Union, the Territories themselves remain outside the Union's control. This state of affairs is anomalous in principle, in practice tends to give rise to serious administrative difficulties, and was originally permitted only on the understanding that it would shortly be regularized by the transfer of the Territories to the Union. In short, it is high time that effect were given to the plain intentions of those responsible for the arrangements made at the time of the establishment of the Union, and that an end were put to an intolerable situation, which is not only an affront to the pride and prestige of the Union as a sovereign independent State but prejudicial to the interests of the natives themselves and has gone on far too long.

Such is the point of view of the Union Government. As regards the inhabitants of the Territories, it is probably true to say that the average native has no great faith in the efficacy of the safeguards provided in the Schedule to protect his rights and interests and in particular his hold on his land. He suspects that one of the reasons which leads the Union Government to wish to secure control of the Territories is to take away his land and use it either for the benefit of Europeans or for helping to relieve the great congestion of the Union's own native reserves. He fears that the consequences of the transfer would be the introduction of the Union colour bar, the extension of the Union pass laws and the application of partial justice. He is sceptical of the value of any undertakings which might be given by the Union Government, the more especially in view of Dr. Malan's present intention to remove the Coloured voters in the Cape Province from the common roll by a simple parliamentary majority, in spite of the wording of the entrenched clauses of the South Africa Act and of the pledges given in 1931 by present Nationalist Cabinet Ministers that these entrenched clauses would be respected. He is influenced in his views by his own experience of conditions in the Union while working there in the mines and also by his brothers in the Union, whose advice is at present all against transfer. Generally, he feels that the Territories are his country and that the effect of transfer would be that they

would cease to belong to him and become the property of somebody else.

Between these two conflicting claims, the position of the United Kingdom Government is very difficult. They have, of course, no material interest whatever in retaining the Territories, which represent not only a chronic, if comparatively slight, financial liability, but a standing menace to their relations with the Union Government. On the other hand, to transfer the Territories without obtaining the acquiescence of the natives concerned would be contrary to the spirit of solemn and repeated pledges and might well have serious repercussions in British Colonies throughout Africa, to say nothing of the international sphere. Their aim must be to find a solution to this intractable problem which will not have damaging effects on some part of the structure of the Commonwealth.

The only possible course in these circumstances is that which was agreed upon by the United Kingdom and the Union Government in 1935, when it was decided that "the policy of both Governments for the next few years should be directed to bringing about a situation in which, if transfer were to become a matter of practical politics, it could be effected with the full acquiescence of the populations concerned". It followed from this policy, in the words of the *aide-mémoire* handed to the Union Prime Minister at the time, that there should be the closest possible co-operation between the Union Government and the administrations of the Territories, so that the native population should feel that the Union Government were working in concert with the local administrations with a real and generous desire to develop and improve conditions in the Territories. For various reasons, however, very little practical progress had been made with the carrying into effect of this policy when war broke out in 1939 and it was decided that the question of transfer should be allowed to remain in abeyance for the time being.

Though the present is not, on the face of it, a propitious moment for a resumption of the policy of helping the Union to woo and win the natives by kindness, one possible way out of the *impasse* is suggested by the present Union Government's appointment to the post of Secretary for Native Affairs of Dr. Eiselen, who is well known in South Africa as a strong advocate of a native "Bantustan". This conception envisages a vertical instead of a horizontal division of the Union into two separate and self-contained communities, each equipped with its own political institutions and developing on its own lines. On this basis, which presupposes a physical separation of Europeans and Africans, each of whom would normally live in their own areas, Bantustan would become a separate political and economic entity possessing at least local self-government and not subject to direct European control. There are serious difficulties in carrying out this proposal, but it accords with the Nationalist policy of *apartheid* and, should any serious attempt be made to bring it into being, a Bantustan might well have a certain attraction for the High Commission Territories.

A less unlikely possibility is that the recent setback to South African liberalism will prove only temporary and that the progressive forces there will resume the advance which was checked by the last general election.

It is not always realized in England that the war and the immediately post-war years saw the rise of a new South African liberalism which has left its mark in almost every field of native affairs. Among the more striking advances were a great increase in expenditure on native education, including meals for native school children, which is now met from general revenue, instead of as formerly from the proceeds of the native tax. Social-security services, including old-age pensions, disability pensions, unemployment insurance, &c., are all paid to natives, though on a lower scale than for Europeans. Great efforts are being made to preserve and rehabilitate the native reserves; and what it is hoped will be the first step towards bringing industry to the natives in their reserves, instead of forcing natives to leave their reserves to go to work in European towns, has been taken by the establishment of a cotton textile mill at Kingwilliamstown in the eastern Cape Province, with a native village settlement attached to it where the natives can live and work with their families under the equivalent of garden-city conditions. In the case of the towns, the Smuts Government, before their fall, had accepted the Fagan Commission's recommendations, which represented a serious attempt to deal with the difficult problem of urban natives and to lighten and simplify the oppressive pass laws; and the same Government were also about to grapple with the native housing problems by undertaking some economic houses for natives. In the new Free State mines a start has been made with the provision of married quarters for native miners, in contrast with the compound system which has hitherto prevailed on the Rand. In the political sphere the United Party Government, shortly before their fall, had announced proposals for converting the Native Representatives' Council into something approximating to a real native Parliament by investing it with certain legislative and executive powers over natives. Generally, in the towns and among the younger generation of South Africans, there were signs of a new and more sympathetic attitude to natives, which promise well for the future.

For the moment, it must be admitted, the forces of progress in South Africa have sustained a series of blows, not the least of them being the death of Mr. Hofmeyr, the leader and incarnation of the new liberalism and, but for his untimely death, the destined successor of General Smuts. Instead of the new liberalism the new Krugerism is temporarily in control and its firstfruits have been a dangerous deterioration in the relations between Europeans and natives. In these circumstances it is clear that should the Union Government press their present request to the point of compelling the United Kingdom Government, under the terms of their pledges, to consult native opinion in the Territories as to transfer, the results of such consultation, in the words of the 1935 paper, "would be embarrassing and undesirable from every point of view". In other words, it would show that native opinion was unanimously opposed to transfer and the United Kingdom Government would be compelled to reject the Union's application. The Union Government would then be faced with the alternatives of either accepting the rebuff or applying sanctions to the Territories by imposing a blockade on their external trade. This, however, would obviously be a very grave measure and one which no South African Government could take unless local public opinion were

unanimously behind them, which, unless the United Kingdom Government were to play their cards very badly, it is extremely unlikely to be on such an issue. It is therefore to be hoped that as on previous occasions the request will not be pressed and that the question will be allowed once more to fall into abeyance. Meanwhile, each of the two main parties concerned should bear in mind the other's difficulties. The Union Government should take into consideration not only that we are bound in honour to observe our pledges to the natives but the incalculable consequences on our whole position in Africa which would flow from any attempt to transfer the Territories against their wishes. We on our side should never forget the unique difficulties of the position of the Union, where, unlike any other country in the world, there is a permanently resident white population which is hopelessly outnumbered by a different race.

The Editor has received, from a correspondent of much experience in African affairs who has seen a proof of the foregoing article, a letter from which he extracts the following comments:

In my view, the British Government has in effect, and in reality, got itself into a position from which there is no escape without a breach of faith either with the native inhabitants of the Territories or with the Union Government.

Formally, and so far as mere words are concerned, this may not be so. To say, as we have repeatedly said, that we will not transfer the administration of the Territories to the Union Government, without prior *consultation* with the natives is not, verbally, to say that we will not transfer without their prior *consent*. But it gets extremely near it; and, so far as human foresight can go, does anybody to-day honestly believe that such consent will ever be forthcoming?

On the other side it is verbally true to say that section 151 of the South Africa Act is not a pledge "that the Territories would be transferred at any definite date". But at least it gets extremely near to a pledge that transfer will be effected at some reasonably early date. The forty years and more that have elapsed since the South Africa Act are a long period. And could we say that, so far as we can foresee, the right date for transfer will never arrive without incurring a well-grounded charge of breach of faith?

Professor Hancock as quoted says that Great Britain has not involved herself in contradictory pledges, but has created contradictory expectations. The distinction between the two seems to me to be impossibly fine.

There is a real tragic conflict here, and I don't believe for a moment that Dr. Eiseler and his "Bantustan" offer a way out of it. To talk of that is to prophesy smooth things. The real question is on which horn of the dilemma H.M. Government will choose to be impaled.

The author replies:

The question whether the United Kingdom Government gave contradictory pledges in 1910, though of historical interest, does not appear to be of much practical importance. Surely, even if no pledges had been given in 1910, this would not have made it any easier to-day to hand over some million South African natives against their expressed wishes to the Union Government; and even if no provision for transfer had been made in the South Africa Act, the Union Government would have been equally anxious to secure control of the Territories. In other words the dilemma with which, as your correspondent rightly points out, the United Kingdom Government are confronted, arises not from any past pledges or assurances but from the facts of the situation.

CHRISTIAN DEMOCRACY

THE CATHOLIC CENTRE PARTIES OF EUROPE

FOUR years after the end of the war in Europe the strongest parties in the governments of France, Italy and western Germany all fight under the banner of Christian Democracy. In Italy Signor de Gasperi's Christian Democratic Party, after winning a decisive victory in the elections of 1948 and thereby deciding the balance of power in Europe, has maintained itself against repeated attempts to destroy its authority by strikes and propaganda. In France the M.R.P., which emerged from the Resistance Movement as a Catholic Party of the Left, now leads the Government. Most remarkable of all, the first freely chosen Parliament of Western Germany has brought a Christian Democratic Government into power. In Austria the People's Party and in Belgium the Christian Social Party, which was firmly established before the war as the Catholic People's Party, lead their respective Coalitions.

The success of the Christian Democrats in three major European countries, including both victor and vanquished, demands explanation. It is the more remarkable since in France and Italy, at least, the Christian Democratic parties had no foundations on which to build. It would be wrong, however, to look for an explanation entirely in the circumstances of the war or the Resistance Movements which developed during it. The leadership of the Resistance Movement in both France and Italy was provided mainly by secular Leftists in the anti-clerical tradition. In France the Christian Democrats took a prominent part, but they held their own with their Communist and Socialist comrades only with difficulty, and it was far from certain that they spoke the mind of Catholic France. In Italy their contribution was dwarfed, at least in the eyes of the outside world, by that of Communist *saboteurs* in the north, and in Germany, where effective resistance was confined to discontented generals, little was heard of active and organized Christian opposition to the State. The roots of Catholic Radicalism go much farther back, and it is impossible to understand its emergence as a force in politics without examining them.

The social and economic implications of the Reformation have been the subject of violent and inconclusive controversy ever since the Marxists propounded the view that Protestantism was merely an expression of economic individualism. This theory was inverted in the famous treatise of Dr. Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, which appeared in English in 1930. Weber's judgment, that economic individualism was only made possible by the disruption of the Church and the weakening of the hold of the Canon Law, was accepted by advanced historians for about a decade and was conveyed to the British public in the writings of Professor Tawney. It has since been qualified in the direction of exculpating the Protestants from the charge of consciously promoting the decline of economic morals and deliberately fostering the belief that getting rich quick on earth was not only

compatible with salvation but a sign of its having been achieved. No one, however, can seriously deny that there was a connexion between the decline of the medieval Church and the rise of bourgeois society and commercial civilization. The Christian Church had developed a social philosophy which was socialist in a broad meaning of the word. It held that the economic activities of men ought to be directed consciously and continuously towards the glory of God and the welfare of society. It conceived society not as an agglomeration of isolated individuals, between whose interests a fair balance must be struck, but as an organism, each of whose members had a definite function in relation to the rest. It defended property only as a trust from God. It treated labour not as a commodity to be bought and sold but as a social function, a capacity given to men for the purpose of promoting the common good and to be used for that purpose whether those who possessed it liked it or not. A man's talents were merely a divinely bestowed equipment for the discharge of a divinely imposed commission. He was no more justified in wasting or withholding them than he was in stealing his neighbour's ox or his ass. Men must accordingly organize themselves in classes for the collective planning and execution of their several tasks. Certain standards of craftsmanship and commercial honesty must be required from all producers and merchants, and in major matters, like the regulation of loans and the principles which should govern the price of goods, the Church formulated those standards, and tried to enforce them. The underlying principle of the Church's economic teaching was that every commodity had its own objectively just price, which represented not what the producer could exact by threatening to withhold it but what was strictly necessary to his own welfare and efficiency. Many of the essential elements of modern socialism were therefore present in the social thought of medieval Christendom.

As the processes of production and distribution became more complicated, and in particular as a money economy arose to supersede an economy based largely on barter, it became increasingly hard to maintain the economic provisions of the Canon Law. Popes were obliged to accept loans from Jews in order to preserve the Holy Places against desecration by infidels. The simple principles which might be applied to short-term loans between farmers were irrelevant to high finance as practised by the Fuggers. The Church was already rapidly capitulating to the new economy when its spiritual authority was challenged by the Reformers and its temporal power by the Renaissance monarchies. The Protestant Reformers themselves had at first no quarrel with the Church's economic teaching. In Calvin's Geneva, for example, the penalties for usury were as cruel as those for adultery; and Lutherans long continued to uphold the social doctrines of the Canon Law, although they were often obliged to wink at breaches of it by their princely protectors. From the point of view of economic morality the Renaissance was more important than the Reformation. The Church's influence on social affairs depends on its being so placed as to be able to arbitrate between the contending parties in social conflicts. Throughout a large part of the Middle Ages it was able to hold the balance between the King and the nobility. With the emergence of highly centralized States it necessarily lost its independence. Even in

Catholic countries the Church became increasingly national and tended to turn to the King rather than the Pope. It is no accident that Christian political and social thought between the sixteenth and the nineteenth centuries was devoted largely to perfecting the doctrine of kingship.

With the rise of middle-class parliamentary régimes in the nineteenth century the Church lost its chief bulwark, the monarchy, and was obliged to fight for its independence against anti-clerical liberals. The social conflicts of the nineteenth century between middle-class industrialists and the organized workers gave it its chance of recovering. Catholic divines directed attention to the social question. Catholic clubs for working men were being formed under the inspiration of Father Kolping. In at least three important respects there were marked affinities between the Roman Church and the Socialist Movement. Both were menaced by middle-class liberalism, the former because liberalism was anti-clerical, the latter because it was capitalist. Both were organized in corporations which claimed an existence independent of the State and an authority transcending national frontiers. (From the juridical point of view the claims of the Catholic Church and the international trade-union movement present the same problem, since both appear to be an implicit challenge to the doctrine of national sovereignty.) Finally, both had philosophies of society which emphasized the importance of corporate effort, though they derived from different sources and the Church's philosophy in its application to economics had been allowed to fall into neglect. To capture organized labour from anti-clerical Socialism was one of the principal objects of Catholic strategy from the middle of the nineteenth century.

From the first the Catholic social reformers had to encounter a problem which still persists. Their theory emphasized the importance of community life within the State. They were as strongly opposed to centralized and bureaucratic Socialism as they were to individualism. They distrusted the State even as a means of bringing about economic decentralization. Thus they had much in common with the Syndicalists, the main difference being that the latter approved of violence and believed in a classless society. The Syndicalists expressed their distrust of centralized government and of politics as an instrument of reform by revolutionary strikes. The Catholic reformers expressed theirs by trying to inspire voluntary experiments in the collective organization of production, and in helping working men to organize themselves for mutual aid in times of sickness and unemployment. In Germany, it is true, a group of Catholic reformers entered the Reichstag, but they made little impression on Bismarck's social policy. In Austria the cause of Catholic Socialism was upheld by Rudolph Meyer and Baron von Vogel-sang. In Switzerland the Catholic, Decurtins, organized Swiss labour in the *Secrétariat Ouvrier*, an organization which existed not to fight strikes but to represent the interests of labour to the Government and the nation, and to enable it to make its contribution to the welfare of the community. In France experiments in guilds and syndicates were made by Catholics. In all these countries, however, Catholic Socialism suffered from not being an organized political force and from a tendency to shrink from political action through fear of centralization. It also suffered from its inability to grapple

effectively with the class war in industry. It stood for reconciliation, but managers and workers refused to be reconciled, with the result that the Catholic workers' guilds, particularly in France, developed more and more into ordinary trade unions. At the same time Catholic employers began to organize themselves. Within the framework of the numerous Papal Encyclicals on man and society which appeared from the middle of the century onwards Catholic employers and workers were each able to devise programmes which bore a strong resemblance to each other but were in fact inspired by opposite purposes. Both could agree with perfect sincerity on the importance of the just wage and the just price, on the need for a corporate organization of industry and a just distribution of power between all classes. But events were to show that these principles could be used with equal effect to support the most extreme claims of workers or owners.

In one respect Catholic corporatism was in harmony with the trend of economic development in the late nineteenth and early twentieth centuries. In practice industry was to an ever-increasing extent organized in corporations and cartels whose members helped each other to seek and exploit markets and to eliminate wasteful competition. The great industrial trusts had many of the qualities and defects of the medieval guilds. Secular Socialists, who had no sympathy with the movement towards monopoly capitalism, did not object to the corporate organization of industry if it were accompanied by direct workers' control. Thinkers like Mr. G. D. H. Cole were enthusiastic for the principle of industrial self-government, and the idea of an Industrial Parliament. The constitution of the Weimar Republic, which embodied in their simplest form all the hopes and mistakes of twentieth-century political thought, included some concessions to corporatism.

Nothing could alter the fact, however, that by corporatism the exponents of the new capitalism meant a system directed towards maintaining a rigid system of inequality and giving the managerial side a preponderant share in deciding economic policy; while the Socialists envisaged a system in which the control of industry would be vested in the workers. So long as the producers in any industry are engaged in a bitter struggle it is manifestly impossible to convert them into a self-governing body. Both sides will appeal to the State, and this is why such experiments as have been made in corporatism on a national scale have usually ended by increasing the power of the Civil Service. In Italy and Germany, where the most extensive experiments in corporatism were made, this was precisely what happened. The great trusts relied on being able to induce the Fascist and Nazi Governments to leave them free to manage their own affairs and to allow them to dictate the nation's economic policy. But these hopes were disappointed. The governments, with the aid of the army and the bureaucracy, imposed a centralized control over economic affairs which left as little freedom to the employers as to the unions. The corporatist experiment in Vichy France suffered the same fate. As a consequence, corporatism became identified in the Socialist mind with Fascist tyranny, and the Left not unnaturally concluded that no experiment in this direction would be safe until government was firmly in the hands of organized labour. In western Europe to-day government control means, in

the last resort, control by the representatives of the majority, and is accordingly equalitarian in tendency. Any fundamental reorganization of industry on corporatist lines would involve, at least during the period of transition, a great deal of state control. The Right on the whole prefers an uncontrolled economy to an economy controlled by the Civil Service or the wage-earner.

All these divisions have appeared in the Catholic social movement. In France they prevented the emergence of any considerable Catholic Party between the wars, although French intellectuals continued to preach the creed of corporatism. In Germany, under the Weimar Republic, Herr von Papen's Catholic Centre Party was in theory committed to corporatism, but in practice had no distinct policy other than that implied in the word "Centre". It must be admitted that Catholic social doctrine has played only a small part in the successes of the Christian Democratic parties which have emerged in France, Italy and Germany since the war. The M.R.P. fought the elections on a vaguely corporatist programme; but they have had little opportunity for putting it into practice, and have not shown much wish to do so. They support the social services, accept the nationalization of key industries and are primarily concerned to resist Communism. It is a Centre party, indistinguishable from any moderately progressive party in any other country, except on questions, like education, in which the Church is directly concerned. In Germany Dr. Adenauer's Christian Democratic Union stands for economic individualism, and its main concern has been to fight for a federal constitution which would make central economic planning impossible. In Italy Signor de Gasperi's Government devotes most of its energy to maintaining itself and to devising means to enable an over-populated country to subsist.

The strength of all these parties consists precisely in their relative immunity from doctrinal convictions about politics. They are all highly empirical, and absorbed in the particular problems of their own countries. Their success must be attributed mainly to two causes: first the existence of a large Catholic population which is politically on the defensive, and, secondly, the failure of Socialism to put up an effective fight against Communism. Wherever the Church is threatened it will naturally and properly defend itself, and in the process seek political allies. The middle classes, who in the nineteenth century were its bitterest enemies, are to-day its allies throughout western Europe. Both are threatened by Communism, and by the side of that threat the liberal tradition of anti-clericalism seems insignificant. In France, where the old parliamentary parties of the Centre were discredited, some new focus of moderate opinion had to be found, and the M.R.P. provided it. In Germany and Italy it was natural that new parties should arise on the basis of existing social and cultural groups, and the Catholics were one of the strongest and least compromised of these groups, since their loyalty to the Nazi and Fascist régimes had always been qualified, if only tacitly, by obedience to a supra-national authority. In all these countries it was essential that some party should be found sufficiently broad-based to unite the anti-Communist elements in the community. This the democratic Socialists could not do, partly because they were divided against themselves, their Left wing

being Marxist in origin and tendency, and partly because their rigid programme alienated the Centre and Right while not satisfying the extreme Left. It was this state of affairs which gave the Catholic parties their chance. Most of those parties, however, are themselves precarious coalitions, held together by immediate danger. None of them is attempting the fundamental reorganization of society which their theorists demanded. Far from repudiating individualism and collectivism with equal venom, they have tried, like the English Conservatives, to hold the balance between them. The truth is that the class war cannot be legislated out of existence. The corporatist State, if it ever came into being, would be as much the result of social reconciliation as the means of achieving it. Those Catholic thinkers in the nineteenth century who tried to achieve peace in industry by voluntary means showed more realism than those who wished to establish a fully corporatist organization of society by political means. The full corporatist programme is open to the same objection as all social blue-prints. It is far too rigid and tries to do quickly and by coercion what can only be accomplished gradually and by consent. It concentrates attention on distribution rather than production and is therefore particularly ill adapted to present conditions. It has, however, performed the useful service of expressing the ideal of co-operation between the classes in a concrete and intelligible form. Inspired by this aim, but wisely refraining from embodying it in a detailed legislative programme, the Catholic parties are resisting Communism with a success which none could have foreseen.

THE LONG VIEW FROM WASHINGTON

/ MOUNTING WEALTH AND DEFICIT FINANCE

THE Eighty-first Congress is in session again, President Truman has addressed to it—and to the nation—his annual Message, and it is possible to an unusual degree to assess the long-range trends in American political and economic affairs.

First of all, Mr. Truman has reaffirmed a vigorous but not quite aggressive commitment to the welfare state. He will press toward a wide range of social objectives, but without the fire of a crusade. The glowingly optimistic tone of his annual Message and economic report sounds very much like Mr. Hoover's chicken-in-every-pot, back in early 1929, but this time it is government, not private enterprise, which ultimately is to keep the pot boiling.

Congress itself—as in 1949—can readily be dominated by a coalition of conservative southern Democrats and ordinary Republicans. On many issues these two have a common interest. They will balk a good deal of Mr. Truman's welfare state. Yet they will probably make gradual progress toward selected and modified social objectives. So, though the American government will distinctly be one of checks and balances for the next year, while the mid-term election campaign is waged, it will not be a period of full deadlock or necessarily of reaction.

The exact shape of foreign policy is less clear. At the moment, the Republicans are vigorously attacking the failure of the United States to prevent Communist triumph in China. Yet some of them—like former President Hoover and Senator Taft—rather over-reached themselves in demanding armed intervention in Formosa: a policy which wiser heads among the Republicans, and the country generally, quite decisively spurned. Whether the Republicans as a whole can recover from this tactical blunder and make effective political capital against the past ineptitudes of American policy toward China remains to be seen. Since they have no alternative policy to offer for the future, this is not for them a promising political outlook.

As to European policy, there is also no powerfully co-ordinated opposition policy, and E.C.A., the Atlantic Pact, Military Aid and the containment policy generally have wide basic support. Nevertheless, there is a serious danger to all U.S. foreign policy throughout the world. It is that Congress and the people may before long get tired of paying the necessary minimum for it. There is almost bound to be a progressive diminution in American financial aid, to which the world had better adjust itself with all speed.

This likely modification in American spending policy springs in part from our paradoxical budget position. We are enjoying a very high degree of prosperity, with thriving business, employment and profit. These conditions are expected to continue for most of 1950 at least. Our national income is in the vicinity of \$250,000 million. But at this moment of virtually unprecedented prosperity we are unable to balance the budget. That still troubles Americans.

They are unable to feel easy about the steady increase of the national debt, although the welfare-state economists keep telling them that it doesn't matter about the debt if the national income is high. Every so often we re-read our Macaulay to this effect, but it doesn't help much. It still seems as if we ought to be able to pay our way. We fear the consequences when times may be less flourishing, and we have to shoulder the national debt—now at \$258,400 million—on much lower income.

Of course, in his annual Message, President Truman held before us the roseate picture of constantly increasing income and eternal prosperity, and even dared to use that repellent word "trillion"* to describe national income by the implausible year 2000. And yet some Americans believe there are bound to be downs as well as ups in the economic cycle. Since we are now in an up, they believe instinctively that we ought to be balancing our budget.

It would appear that a good many Americans believe this. Whether a majority do remains to be seen. Perhaps a majority of us apply to public budgets our own private practices. The fact is that today forty per cent of Americans are spending more than they earn. Furthermore, a good part of these deficit-financing individuals are the recipients of governmental bounty. There is unlikely to be a mutiny against this bounty. But the bounty is not necessarily always going to be there.

Necessary Curtailment of Foreign Aid

DURING this mid-term electoral campaign the Republicans and the conservative Democrats will try to persuade the country that a welfare state based on deficit financing is a delusion to be rejected. In the degree to which they succeed, foreign aid will be a primary victim. So will national defense spending, which fact is meaningful to foreign policy. Even if Americans are not generally persuaded to give up their expensive social programs domestically, economies are certainly inescapable in the foreign field. These may not necessarily be drastic. A drop of \$1,000 million in E.C.A. is likely, but that is approximately the original plan. Whether and how E.C.A. can be extended beyond 1952, or what if anything might succeed it, is far more dubious. Perhaps the force of circumstances will prescribe some new manner of meeting the obligations of a creditor nation. But the shape of such a program is not now clear.

One great fact of highest significance is the strength of the American economy. In the last pre-war year, 1939—which itself was higher than its predecessors throughout the 'thirties—federal income was \$5,100 million, and we spent \$9,000 million. In 1951 our federal income is estimated at \$37,300 million and our expenditure at \$42,400 million. In 1950 the nearest present calculations show an income of \$37,800 million and expenditure of \$43,300 million. In 1948—one of two years in which alone in twenty years we have balanced our budget—our federal revenues were \$42,200 million, and our spending came to \$33,800.

* In the United States this word denotes not the cube but the square of a million—i.e., what in British usage is called a billion.—*Editor.*

If some Rip Van Winkle were to waken from a nap of only ten years he would be astonished by these figures. Even Franklin Roosevelt, who dealt during the New Deal years in budgets of some \$5,000 million, might not have expected that the post-war American economy could have sustained such staggering tax earnings. Or that expenditure would now have climbed to such levels. However, total federal and local taxation now takes about one-fourth of each dollar of national income, which is extremely high for us, but would not be high for Great Britain.

Americans are thinking soberly about the paradoxes they face five years after the end of the war. China, saved from Japan, is now won—in a manner of speaking—by Russia. Japan, destroyed by the United States, is now being re-built by the United States as an ally. Russia, wartime ally, is now annexing great masses of China without a struggle. Germany, the late big enemy, is apparently to be built into the big ally. Britain is in severe and protracted straits, with none of its people enjoying the advantages which some, at least, in former enemy countries are now enjoying. And the British future is particularly uncertain.

These are among the many contradictions which plague Americans as they strive to think clearly about their own policies. Our own deficits suggest that our ideas—and world needs—may be too large for our pocket-books. Yet our diminution in material aid will not be severely drastic. The cuts are likely to be about one-fourth of present foreign spending. Britain, which now gets over \$900 million, will get about \$700 million in the year after June 30. France, now receiving \$675 million, will be cut to some \$500 million. Italy, Germany, Japan and others will be slashed. This is mostly according to plan.

Meantime, the main political and economic lines of our policy in Europe continue and will be implemented. We are not happy about the outlook in Germany, but we can see no immediate way in which to help it. We realize that a divided Germany is a constant danger. We are fearful that enough lessons have not been learned, and that the roots of Nazism still lie deep in the German national soil.

As for Britain and its economic problems, we can see no way to be of more help than we are now. We realize that the ultimate balancing of the British economy—assuming the most helpful possible tariff policy on our part—depends on Britain's capacity to compete in an open market. We are not sure that capacity to compete is strong enough, on top of the welfare-state commitment. We realize that Britain is now, as ever, vitally needed for world stability. And we are particularly conscious of the political wisdom with which Britain has dealt with Asia in these latter years. Quite evidently India, Pakistan, Israel—and many another state—are still in the non-communist orbit largely because of British efforts.

As to our own Far Eastern policy, the political controversy which has flared up does not help. On the one hand, criticisms of the Yalta agreement, and the other steps between 1942 and 1949—which certainly did not strengthen and may have weakened the Chiang Kai-shek Government—have a good deal of force. But these criticisms are wisdom after the event. At the time, military as well as political judgment seemed to endorse them. Looking back,

it is easy enough to see that we might have avoided giving Russia so many advantages—and territories—in Asia, and that we might also have insisted on genuine reform measures within the Chiang Government. Certainly there should have been ways of avoiding the present tragic *dénouement*.

A Notable Definition of Foreign Policy

BUT criticism of past policies does not necessarily win elections. And today it is hard to see what alternatives the Republicans can offer which will make any more sense than the position taken by Secretary of State Acheson. He pointed out, in his speech to the National Press Club in Washington, that Soviet Russia is taking from China its four northern provinces and attaching them to the Soviet Union. Nothing, except an ill-advised U.S. intervention in Formosa or elsewhere, he said, could conceal this fact from the Chinese—who are in the process of a dual revolution: against misery and poverty on the one hand and against foreign domination on the other.

"These actions of the Russians," said Mr. Acheson, "are making plainer than any speech or any utterance or any legislation can make throughout Asia what the true purposes of the Soviet Union are and what the true function of Communism as an agent of Russian nationalism is.

"Our real interest is in these people as people. . . . Because Communism is hostile to that interest . . . we want to stop it. The best way to do both things (in the various countries of Asia) is to develop a sound administration for these new governments and to develop their resources and their technical skills so that they are not subject to penetration either through ignorance . . . or because there is real distress.

"Should a [Communist] attack occur . . . the initial reliance must be on the people attacked to resist it. . . . No person can guarantee these areas against military attack."

Asked what aid the United States should give to the countries of South-east Asia, Mr. Acheson said:

"The limit of what we can do is to help where we are wanted. American assistance can be effective when it is the missing component in a situation which otherwise might be solved. The United States cannot furnish . . . determination, it cannot furnish the will and it cannot furnish the loyalty of a people to its government. But if the will and the determination exist and if the people are behind their government, then, and not always then, is there a very good chance for success.

"It is highly confused in Burma. . . . Progress is being made in Indo-China. . . . In Malaya . . . the British are making progress. . . . In Indonesia a great success has been achieved. . . . In India and Pakistan we are willing to be of such help as we can. . . . Again the responsibility lies with people who have won their freedom and who are very proud of it.

"The old relationships between East and West are gone. . . . We are their friends. Others are their friends. . . . This new day in Asia may go on to a glorious noon or it may darken and it may drizzle out. But that decision lies within the countries of Asia and within the power of the Asian people. It is not a decision which a friend or even an enemy from the outside can decide for them."

This remarkable definition of policy, made "off-the-cuff" in an informal speech by the Secretary of State, nevertheless has the ring of history to it. It approximates an attitude which Americans will gladly endorse. Implemented concretely with aid and political measures wherever needed, it can take substantial shape. It must, of course, be closely integrated with the mutual-aid program agreed upon by the Commonwealth nations at Colombo. As the Point Four program is articulated, it, too, should be of great value. Through the example of our relationship to the Philippines, we can prove to the people of Asia that we mean what we say. And so, however dark the immediate outlook may be, there is some ground for thinking that a real policy—with incipient effectiveness and even greatness inherent in it—is in the making.

Industrial and Political Challengers

THE United States still has a labor crisis: the long-protracted coal "strike"—or three-day work-week. Since midsummer of 1949, John L. Lewis, the absolute Czar of the miners, has directed the digging of coal just exactly as he wished. He has kept his miners for most of that time working no more than three days a week. That has maintained for him something of a bargaining position with the operators—though not a successful one—for it has prevented the maintenance of an overwhelming stock-pile of coal. It has also cost his miners something like \$1,200 apiece in lost wages. It has inflicted very substantial financial damage on the operators, and on many branches of the economy which have some relationship to coal. It has also substantially benefited the natural gas and fuel-oil industries, and lost some permanent users of coal.

But the policy has just barely prevented—as yet—the declaration of a national emergency by President Truman and the invocation of the Taft-Hartley Law. Under that law, if he finds an emergency to exist, the President can issue mandatory work orders during an 80-day cooling-off period. So far, we have had a relatively mild winter, but a sudden blizzard throughout the mid-west, atop very skimpy supplies of coal and with the need of constant, swift transport, might indeed produce a grave emergency.

The challenging problem turns on the power one labor leader can exert over the whole economy. Mr. Lewis is a very ingenious man, and his three-day week stems from a seemingly innocuous phrase in the union contract by which his miners must be "able and willing" to work. He has arbitrarily found that they are not. And so he has become absolute ruler of the coal industry and those other industries dependent upon it. We have long possessed—and enforced—anti-trust laws against monopolistic conduct of ownership or management. Now we need legislation in order to control an equally dangerous monopoly through labor control. But President Truman shrinks from invoking the injunctive processes of the Taft-Hartley law, which would be a partial help, because it is so universally hated and feared by labor. And many other unions—not Mr. Lewis's—are among Mr. Truman's closest supporters. But the American economy will not be healthy and free so long as this situation prevails.

More visibly than ever, the real leader of the Republican opposition is

Senator Taft of Ohio. Senator Vandenberg still has a certain ascendancy in foreign policy, but his health is now somewhat impaired, and it is uncertain whether a majority of the party would go as far as he in co-operating with the Administration. But Senator Taft more than ever expresses the party view on domestic issues. He is running for re-election in Ohio, but as yet no strong Democrat has come forward to challenge him there. In the Senate he comes close to being the strongest individual figure on either side of the chamber.

Senator Taft is by no means on the extreme right. He would not take an entirely isolationist position (although his foreign policy suggestions are apt to be a bit unpredictable), he does not oppose every type of welfare proposal, and he does not insist on an end to farm price supports. He does hold his own on economy and taxes. He believes in a balanced budget through cuts in expenditure, not through new taxes. He would accept revised—and higher—old age pensions. He believes in new social measures in behalf of education, housing and health, but as much as possible on the local level.

In short, Senator Taft's program is the American equivalent, perhaps, of the progressive Tories in Britain. Hewn out in the thick of legislative action, it is likely to be the program on which most Republicans will appeal to the voters in the near future.

This program has to compete with President Truman's Fair Deal. That program, little of which the present Congress is likely to enact, is an extremely well-filled bag of benefits for everybody. In Mr. Truman's Message there was something for small businessmen, for bankers, for insurance companies, for the older people, for those who want health insurance, for those who need housing or education, for farmers, for conservation—well, for almost every conceivable voting unit in the body politic.

Whether this year, or 1952, will see an electorate sufficiently economy-conscious to reject Mr. Truman's exhaustive program for Senator Taft's selective one, is probably the decisive question in American politics.

Agenda for the Suicide Club

THERE is a lot of talk here about the hydrogen bomb. President Truman is said to be pondering—and well he may—whether he should ask Congress for something between \$2,000 million and \$4,000 million in order to build the factories which might be able to make the hydrogen bomb. Such bombs, it is stated, would be at least 1,000 times as powerful as the existing atomic bombs. But of course nobody knows whether such bombs can be made. Nobody can know until they try. The basic principle is not new. Explosion of such a bomb is explained in these terms: A hydrogen atom first must be "fortified" with an added neutron at its center, thus creating an atom of deuterium. Then two deuterium atoms can be brought together under intense heat and pressure to create an atom of helium. For each helium atom formed a small amount of energy is released from unused electrons. This energy, if enough new atoms are created, will add up to a gigantic explosion in the form of heat, pressure, and gamma rays.

The biggest obstacle to creating this fearful device is the amount of heat

required—some 15 million degrees centigrade. Such heat has never been generated by man on this planet except for the momentary explosions of uranium atom bombs. Although hydrogen is plentiful, such a bomb would be even more costly than the atomic bomb. And so now, mere humans in White Houses and Congresses and Kremlins are having to decide whether to start experiments with such unspeakable engines of mass suicide.

All this grisly speculation has made Americans ask for renewed—and revised—discussions of the atomic bomb control problem with the Russians. It has made us realize that a Third World War must absolutely be prevented, for the hydrogen bomb reduces to complete absurdity what was already tragically absurd. For the present, most of us can see no alternative to holding the line of containment in Europe, helping the West along the path of recovery and strength, and convincing the peoples of the East of our friendship and our willingness to aid them toward their free destiny. To these ends most Americans in the coming months will be chiefly preoccupied in trying to maintain the strength and stability of our own economy and its institutions in order to be of maximum service to the world.

United States of America,
January 1950.

RACE RELATIONS IN EAST AFRICA

PERPLEXITIES OF A PLURAL SOCIETY

IN a recent issue of *The East African Standard* one could read about a scheme propounded by the Southern Highlands Union in Tanganyika, itself an inter-racial organization, "to train people of all races to co-operate in local activities". The scheme suggested that in small areas such as chiefdoms councils should be set up by mutual arrangement, "non-executive and non-elected", aiming at the achievement of certain definite objects, the creation of playing fields, for instance, or the erection of a village room and library. It was suggested that the membership of these councils might be composed of three Africans, one Asiatic and one European. Later on subscriptions would be raised, the subscribers would have the right to vote for the members of the council, and the ideas of financial responsibility and of elected representation would thus be introduced. The members of the Southern Highlands Union who put the suggestion forward did so because they declared themselves to be convinced that Africans, Asians and Europeans all have a permanent part to play in the development of Tanganyika Territory and its general well-being. In the same number of *The East African Standard* was a letter from an African politician in Kenya saying that Africans "see colonial 'minority rule' as a scheme which keeps the Africans economically and politically backward for the sake of local Europeans, Indians and Britain's markets". And in the same paper a European writer attacked as "a rigmarole of hypocrisy" an earlier letter by another European who had advanced ethical reasons for European minority rule. This issue of the paper gave a good indication of the divergence of view and the conflicting emotions which surround the question of race relations.

A striking fact, however, of recent years—even more particularly of recent months—is the frequent reference in the papers to the question of race relations. This very fact is important, even though much that is written is one-sided and prejudiced. The problems posed by the question differ widely over East Africa. In Uganda there is very little European settlement: a few planters have farms in the west among the foothills of Ruwenzori. But in Kenya the European population is to a great extent composed of people who have made the colony their home, whose children have been born and brought up as Kenyans, and to whom the future of European settlement means the future of their very existence. In Tanganyika there are settlement areas in the north on the slopes of Mount Meru and of Kilimanjaro and there is another area with many European farms in the Southern Highlands. The European farmers of Tanganyika are confused and anxious because of the uncertain future of Tanganyika as a Trust Territory under the United Nations Organization and it is inevitable that their uncertainty should be reflected in their utterances.

It is not surprising that in Kenya with its large European population race

relations are talked about more than elsewhere, and although the improvement of understanding between the races is one of the most pressing needs, to turn it into a subject for writing letters about to the newspapers may well lead to increased bitterness instead of to mutual understanding. The great trouble is that the background is often forgotten in argument both by those who advocate increased co-operation between the races and by those who regard segregation as the only possible policy.

Less than a hundred years ago East Africa was part of the "Dark Continent". Sometimes one can hear African politicians declaring that it was only dark from the European point of view, while for its inhabitants it was a continent of light and happiness until the Europeans came and spoilt its condition of simple virtue and joy. Since the politicians who talk in that way are people of some education, it cannot be thought that they believe what they are saying. The great majority of educated Africans are ready to admit that the invasion of Africa by Europeans did in fact let light into a land burdened by the slave trade, disease, the periodical scourge of famine and inter-tribal warfare. In the old days, however, wants were few, but to-day the Africans want many things. You cannot be an office boy in a loin-cloth, you cannot live in Nairobi and grow the maize you need for your food, you see things around you which you would like to have but which your small wages will not allow you to buy. Throughout East Africa there is a demand for education, a call for better services of every kind, opportunities for the African to progress in trade, to rise to the highest posts in offices and industries, but too often not accompanied by any appreciation of the economic, moral and cultural requirements which make such advances possible. This lack of understanding makes the African impatient and the European exasperated, and economic issues take on a racial aspect which often has little to do with the case.

The Contribution of Asia

THE economic situation is complicated by the presence of the Asian. For centuries India traded with the east coast of Africa, and Indians lived as traders in the ports long before there was any thought of European settlement. As the country became opened to the outside world by the Europeans the small Indian traders advanced farther and farther into the interior, and to-day almost all the shops of East Africa are owned by Asians. To get labour for the construction of the Kenya and Uganda Railway workmen were brought from India, but even before the railway ran from Mombasa to Nairobi Indian traders were buying and selling goods hundreds of miles from Mombasa. A flourishing shop in a township on the railway two hundred miles or more from the sea, where now the shelves are piled high with tinned fruits from America, jams from England and sardines from Norway, Dietz lamps, dusters, Yardley's talcum powder, every variety of tooth paste, aspirins, cough cures, Lancashire shirts, blankets and a vast array of merchandise is the outcome of the trade of an Indian who went there a few years before the railway arrived and traded with the natives for ivory and skins. So it is throughout East Africa. Wherever there was an opportunity of retail trade

there the Indian arrived and set up his shop. Wealth has come thereby, and now when a township is to be formed and plots for shops are sold by auction it is wellnigh impossible for an African to outbid the Indians who come to establish themselves in these new markets. Moreover the Indians have behind them great experience in trading and a network of wholesale buying which enables them to undercut any African who may venture to compete. The situation, moreover, is made more difficult because the Africans too often forget that a successful business is built up on frugal living, when profits are returned to the business instead of being used as personal income.

It is the same with crafts. The carpentry trade, plumbing, upholstery, furniture manufacture and a host of other commercial crafts are in the hands of Asians. Skill is handed on from father to son; children learn from an early age to handle the tools in their parents' workshops; and the family business forms a sort of apprenticeship. Africans have woken up to a realization that commercial crafts are paying trades, but only a few have appreciated that craftsmanship is the result of long practice and experience. There is no doubt that Africans can be good craftsmen, but not many are of a high standard because they will not submit to the long training and the willingness to work for many years before they make much money. After six months at a government training centre an African is apt to consider himself a skilled craftsman. And so in building and allied crafts, as in the retail trade, the African finds it difficult to compete with the Asian.

At the same time Asians and Africans sometimes make common cause against the Europeans in municipal bodies and elsewhere. European social exclusiveness without doubt assists such collaboration, but at least one main Asian community seems to have come to the conclusion that European leadership is essential for Kenya. The East African scene is certainly confused, but unless one knows something of the background, the economic situation and the political motives, the problems of race relations seem to be merely questions of prejudice, jealousy, fear and a desire for recognition.

In April there were riots at Kampala and elsewhere in the Kingdom of Buganda in Uganda. At the time of writing an official enquiry is being conducted into the matter and it would therefore be premature to try to analyse the causes of the riots, but it is probable that anti-European feeling was not among them.*

Political Organization

THE East African territories have no natural dividing frontiers, and connexion between sympathetic elements is to be expected. On the European side there is a desire for a close link-up between the territories because it is

* The report of the enquiry was published simultaneously in Uganda and England in February, and entirely bears out our contributor's judgment. Though some European police officers were injured in the course of their duty, there were no attacks upon Europeans as such or on European property. The demonstrations out of which the rioting arose were directed against the Kabaka and his native ministers; and the principal grievance alleged was related to the apparatus of government control in the cotton trade.—*Editor*.

felt that white settlement would be more secure if it spoke with a combined voice in an East African federation. This possibility was behind African opposition to Paper 210, which transformed the former East African Governors' Conference into the High Commission with its Central Assembly. Certain services like rail and postal services are obviously more efficiently carried out on an inter-territorial basis, but in Tanganyika and Uganda there was political opposition to anything that might lead to an increase of the influence of Kenya in the domestic affairs of the other territories.

Party politics in the British sense do not exist. There is only one European political organization in Kenya and one African political body. Politics are not based on political philosophies: they are not a matter of Liberalism, Conservatism or Socialism. The Electors' Union represents the Europeans: the Kenya African Union is the African political party. Recently in Dar-es-Salaam a public meeting supported a proposal to set up a Tanganyika European organization to further European interests. This would be an extension of the Northern Province Council, whose members, to quote one of the speakers, "got together and decided that unless the Europeans of this country could unify and speak with one voice we would get nowhere". Naturally, since the Europeans when they came to settle in Kenya fifty years ago found a completely primitive people without any form of wealth, the Europeans became the employers and the Africans the employed and, although to-day there are a few small African firms and some African small farmers who employ labour, it is broadly true to say that the Europeans are employers and mental workers, while the Africans are manual workers. The Asians also produce many big employers of labour and the poorer members of the community are craftsmen, mechanics and small traders. Manual work of the unskilled kinds is almost all done by Africans. Therefore since the manual workers are African and the salaried workers, the heads of departments, the foremen and higher-paid officials are Asian or European, economic conditions and racial considerations are apt to become confused. Discussion of what are really economic and social issues is often conducted on racial lines and the interests of a racial community take the place of the class interests of societies of one race. Human selfishness, however, within each racial community operates in Kenya as elsewhere. When Africans are able to employ labour, they often give lower wages and show less interest in the living conditions of their workers than European employers do, and in such mixed administrative bodies as municipal councils it is not unusual for the European members to have to protect the interests of the African workers against selfish suggestions of the African representatives.

Because the Europeans are richer than the Africans, taxation comes largely from European pockets. Sometimes, perhaps not unnaturally, since the income of the central Government comes largely from the European source, its expenditure is considered racially. In addition the question of African taxation is a complicating factor in this matter. There are some Africans to-day who earn a considerable amount of money, for example, the Kikuyu market gardeners near Nairobi. But they only pay the African Poll Tax of a few shillings a year and escape the income tax which the European farmer

has to pay. Such people are of course a very small fraction of the total African population, but they give some support to a racial attitude towards social service.

The Future Prospect

WHAT of the future? The South African Government has lately been advocating the strengthening of ties between all the countries of south and central Africa. The slogan is "Africa south of the Sahara". The visits this year to East Africa and elsewhere of the South African Ambassador Extraordinary, Mr. de Water, and the Minister of Economic Affairs, Mr. Louw, are moves in this campaign. Some Europeans in Kenya support this South African view, but there are others who, while agreeing that trade and communications might well be helped by a wide system of consultation, are opposed to any copying of South African racial policy, and the Asians and Africans would not be in favour of the spread of South African influence. It is impossible to make a general statement about the racial policy of Europeans in Kenya, because there is a good deal more liberalism than appears on the surface. Things have changed greatly in the last ten years, and although there are many Europeans who still have never met any of the good-mannered, intelligent Africans who come from the few senior African schools, some of them with experience of Britain also, there is a growing number of Europeans who are aware of the extent of African education and who are willing to mix with the educated members of the other races. Two years ago the United Kenya Club was founded in Nairobi, and although the number of Europeans who go to it is fairly small and a large proportion of them are people engaged in governmental or social work, others can be seen there at times eating and talking happily with Africans and Asians. Every year now the boys of the leading European school and one of the leading African schools near Nairobi compete against each other in athletics and mix together freely after the meeting. The main hotels are still open ordinarily to Europeans only, but several of them are now willing to allow Asian and African guests to attend official functions in their public rooms. Europeans, many of them eminent men, and their wives, mix freely with Africans and Asians at such gatherings as the tea parties which the British Council sometimes gives for people interested in some particular subject, when after tea films are shown and talks given to the inter-racial audience. It is perhaps through gatherings devoted to the study of some subject of common interest that the social gulfs dividing the races can most easily be bridged. In Uganda and Tanganyika there is already more inter-mingling of the races in a social way. For instance, in Dar-es-Salaam it is not unusual to pass a house where a cocktail party is being held and to see leading Africans and Asians among the guests.

The avowed policy of Whitehall is to train Africans in the art of self-government. Democratic government requires many things, however. From the smallest units of local government upwards it requires financial integrity, but at present African cashiers and accounts clerks in Local Native Councils and other bodies too often find themselves in the courts on financial charges. It demands honesty in voting, but for a largely illiterate population adult

suffrage would be absurd. Much groundwork must first be successfully carried out. Another consideration which affects the East African scene is the growth of vast industrial and technical enterprises. Such schemes as the electrical developments on the Nile at Jinja in Uganda demand administrative experience and engineering skill which are quite beyond the Africans of to-day. That is not to say that future generations will not be equal to the task. It means that now and for some time to come European leadership in the material progress of Africa is essential.

On the moral and social planes also European leadership is required. Many Africans and at any rate some Asian groups ask that the British outlook, the British way of life, to use the rather hackneyed phrase which frequently occurs in East African newspapers, should be explained to the people of East Africa, who should be helped to absorb it. And, all things considered, although there may be some Europeans who favour the doctrine of *apartheid*, there are far more who, without being able to see any clear future, recognize that African education is an increasing force, that Africans are progressing in technical skill, that thousands of Asians have made East Africa their home, many of them having only sentimental ties with India and Pakistan, and that co-operation on the basis of ability and moral excellence is the only possible solution of the racial problems of East Africa. Even those of the greatest goodwill and tolerance would hardly care to predict the future form of government and social relationships and would perhaps not go further than to say that government of one race by another cannot be a lasting solution. In the meantime Britain and the British in Africa have the responsibilities of government and of ensuring the progress of all races. A fine example of the attitude of many Europeans in East Africa to-day was given by the Mayor of Nairobi in October when he attended the King's Day celebrations at the European Prince of Wales School. "You must be the most critical judges of yourselves", he told the boys, "only by so doing will you be able to justify your position as leaders in this land." And they must have, the Mayor went on to say, "the good manners which come from a willingness to treat all men on their merits and to see every man's point of view".

UNITED KINGDOM

LAST DAYS OF A PARLIAMENT

THE year 1949 ended peacefully, and there were few who mourned its passing. Its successor received a hearty welcome, slapped on the back at birth, as it were, by a set of boisterous uncles determined to make it celebrate the turn of the century. It is scarcely surprising that some people are in a hurry thus to be mesmerized by numbers and easy it is to understand why their genial and competitive spirits are not one whit diminished by the accompanying learned, amused and unanswerable demonstration that they are, in fact, a year too early. And, after all, it had been rather a good Christmas—a rare holiday with two Eves and two Boxing Days, which some grave observers noted made the London scene rather more Hogarthian than usual. People were as ready as ever to set their burdens on one side for a moment, which is always so much easier when the politicians and the prophets are silent. When the political orchestra is not playing at Westminster a large part of the great audience very quickly lets the music slip away and the more easily when they hear too much Wagner and too little Strauss. After Christmas everyone joined in a tribute to the sun, which in this island had had its best year since records were kept at Kew. This was one of those pleasant non-party, slightly Druidical celebrations proclaimed by a chorus of independent statisticians as the sun went smiling to bed on New Year's Eve. It was noted during this festive interlude that a few prominent Labour politicians were gathered in a north-country hotel, probably for no other reason than fondness for each other. But they were not, of course, acquitted entirely of plotting over their nuts and wine.

Meanwhile, people were going from London to Brighton in the best Regency tradition—to the play. The attraction was Mr. T. S. Eliot's *Cocktail Party*, thought by the few connoisseurs who saw it to be the most distinguished play of the year. It was first seen at the Edinburgh Festival and then given two weeks at Brighton before going to New York. Some people felt strongly that this work by our major poet ought to have been played in London first, but they were reminded by the impresario that the play had to earn dollars. Not art for art's sake now but art for dollars' sake. So it can be imagined what a welcome the Sadlers Wells Ballet received from the Chancellor of the Exchequer when it came back from its triumphal tour in North America simply bursting with dollars. Surely this is the first ballet company ever to be welcomed home by the full majesty of the Treasury, with a long, prepared speech by a Chancellor of the Exchequer.

When to Dissolve?

THE dollar is always with us; the ability to earn dollars has become a prime virtue. A lot of odd things may be done in the name of the dollar; values may be temporarily topsyturvy, but no one can honestly shirk the issue. The dollar crisis is a perpetual question-mark suspended over the heads

of the British people, most of whom have not the slightest notion of how the question will be answered. The urgency of the question is constant, but the extent to which it impinges on the public mind is largely a matter of ministerial emphasis. At times there seems to be a conspiracy of silence. In the summer John Bull went to the sea-side and was allowed to forget the dollar absolutely. No one said a word. Then came devaluation. Towards the end of the year the question was again allowed to recede and as it receded another claimed the public eye. This was the date of the general election (when it came there was only the barest reference to the dollar crisis in the Labour party manifesto). After the rejection of an autumn election, the prorogation of Parliament in mid-December and the announcement of a new short session beginning on January 24, informed opinion inclined to the view that the country might have to wait until late spring or early summer. It was said at Westminster that Sir Stafford Cripps wished to present another budget—a prospect which the Labour rank and file could not have relished—and also that Mr. Bevin wanted time to tidy up his numerous affairs. Indeed, there was over Christmas a strong opinion that the election would be in June. At the same time political observers were wondering how the Government could possibly manage to keep Parliament busy for even a short session, since they had been hard put to find the Commons enough work in December. The first positive sign came with the New Year Honours, which created six vacancies in the Commons. The subsequent announcement of a February election was a profound relief to the whole country. Economically the moment may have been well chosen, for there seemed to be one of those real or artificial “quiet times” in the dollar crisis due, perhaps, to the fact that the country was still not able to judge the effects of devaluation. Ministers even reviewed the achievements of 1949 with some complacency (though with slender justification), and it was impossible for anyone to say what the result of trading would be in the first quarter of 1950. Quite undaunted by the fact that the sterling area's deficit was still running at the rate of 1,000 million dollars a year, Mr. Strachey, the Minister of Food, claimed in mid-January that the dollar shortage had been “largely overcome” by a massive switching of our food purchases from dollar to non-dollar sources.

Sir Stafford Cripps was optimistic when he reviewed the achievements of 1949 at a Press conference on January 10, two days before the February general election was announced. There were those in the Chancellor of the Exchequer's audience who thought his review smacked a little of electioneering. There was no cause to rejoice unduly in the detailed figures for the year's trading which were issued by the Board of Trade ten days later. The trade gap narrowed slightly but the downward trends noticeable since last spring were not corrected. The excess of imports over exports in 1949 was £429 million against £431 million in 1948. In the second half of 1949 the increase in exports on 1948 was barely two-thirds of the increase in imports, whereas in the first quarter of the year it had been nearly twice that in imports. Exports to the United States were down by £9 million, but to Canada they rose by nearly £8 million. The Chancellor of the Exchequer had spoken of his pride in the achievements of the workers in industry in raising the volume of pro-

duction. In many ways the praise was well deserved, but the Government's own continual emphasis on productivity showed that they were not unaware that in some of the basic industries individual workers were producing less than before the war. This was one reason for the high cost of exported goods and it was a vital factor in dealing with an American market which was showing signs of becoming much less receptive as the year ended. There was no longer a sellers' market either in the United States or anywhere else, and Britain's difficulties were being increased by the re-emergence of Germany and Japan as competitors.

At the turn of the year there was little or no disposition in any quarter outside the Government to see a solution to the country's economic problem; it was still a question of wait and see. Economists argued that the organization of industry was far too rigid and some were bold enough to offer, as no politician could, the suggestion that it could only be freed by unemployment. Such suggestions were absolutely counter to the professions of the main parties in the general election. The Labour manifesto put the maintenance of full employment in the forefront of its appeal to the country and the Conservatives strenuously combated Labour attempts to suggest that they did not desire the same thing. Economists also argued that the tailing off of Marshall Aid might well result in unemployment, owing to our inability to purchase raw materials. That was an eventuality not to be dwelt upon by a political party seeking power.

Profit and Loss Accounts

THE internal economic situation in this period was fairly quiet. But the Commons and the country were rather shocked at the end of November to hear from the Minister of Transport that the Transport Commission was likely in the current year to have a deficit of £20 million. In other words, the Commission was losing about £500,000 a week, which seemed to ordinary folk a staggering amount of money. The more so since railway fares for passengers had been going up and up even to the point where season tickets on the London underground ceased, in some cases, to offer any saving on a five-day working week. In making the announcement the Minister indicated that application would be made to increase freight, canal and dock charges. If these are granted freight charges will be some 80 per cent above the 1939 level. Costs have, of course, risen steeply, and it will undoubtedly take the Transport Commission some time to work out its salvation. The House of Commons was also concerned in its last weeks with the deplorable financial state of the groundnuts scheme in East Africa and a debate reflected public anxiety over the vast unrequited expenditure of capital. Mr. Strachey, the Minister of Food, escaped the loss of office which many critics thought he should have suffered and he slipped off, incognito, to Africa to try and soothe the tempers of officials on the spot. That all was far from well with the administration of the scheme was patent and there was a firm impression at Westminster that the Minister and certain of his highly placed nominees were not guiltless.

Early in the New Year the Government had a useful windfall in the shape of the rosier-looking accounts of the British Electricity Authority, which in

its first report covering the period from April 1948 recorded a surplus of over £4 million. This certainly looked good on paper and was indeed a refreshing picture compared, say, with transport; but only a blinkered partisan would ignore the fact that the State took over a highly prosperous industry which, unlike railways, is still in the throes of rapid and continuous expansion. There is, as the report pointed out, a time of heavy capital expenditure ahead. Comment on the report did not fail to emphasize that the real test for this healthy state-owned industry is not its ability to make profits but the cost at which it can produce, the price at which it can supply and the service which it can render. These were the yardsticks by which the companies and local authorities were judged before nationalization. A few days after this report appeared Lord Hyndley, Chairman of the National Coal Board, stated that he estimated the Board's net profit last year at £10 million. In 1947 there was a loss of £23 million and in 1948 a profit of £1,500,000. The estimated profit in 1949 was due mainly to the favourable export market. Lord Hyndley would not prophesy how long this state of affairs would last but he thought the prospects for 1950 were generally good.

At the Ministry of Civil Aviation Lord Pakenham has been doing his best, not without success, to pare down the costs of running the nationalized air lines, which should soon be on a healthier financial footing. At the end of November the Government finally reached a compromise over the Iron and Steel Bill by proposing that the vesting date should be moved from May 1, 1950, until January 1, 1951, and that no appointments should be made to the proposed new Iron and Steel Corporation until October 1, 1950. The House of Lords welcomed this compromise as an acknowledgement of the constitutional rights of their Chamber and the Bill became an Act on November 24. The Conservatives, in their election manifesto, declared that if returned to power they would repeal the Act. The Labour party remained eager for more and more nationalization. In their manifesto they proposed to extend this policy to the following: beet-sugar manufacture and sugar refining, the cement industry, water supply, wholesale distribution of meat, all cold storage plant, all suitable minerals and food-producing land not fully used. The party's original plan for nationalizing industrial assurance was modified to a scheme of compulsory mutual ownership by policy holders. Besides the repeal of the Iron and Steel Act the Conservatives promised the electors that wherever possible buses, trams and lorries would be restored to their former owners, a measure of free enterprise would be restored to air lines, and the National Coal Board and the railways would be reorganized and decentralized. The party held itself free to decide on the future of the Gas and Electricity Boards in the light of further experience of their working.

Cautious Electioneering

THE arguments for and against nationalization were, of course, in the forefront of the general-election campaign which got under way in the country immediately on the dissolution of Parliament on February 3. It was at once clear that Labour was going to fight a defensive battle. The record of the past four and a half years was offered to the electorate as a guarantee

that the future would be safe in the hands of Mr. Attlee and his men. They alone, it was emphasized, could secure for the people that chaste, correct, aesthetical existence; the prospect of Tory rule was too awful to contemplate—a mixture of the jungle and catch-as-catch-can. But the tone was subdued. One missed the fire of 1945 and even some of the Labour Party's friends were disappointed. The *New Statesman*, organ of the intellectual left wing, commenting on the failure of the manifesto to face the economic problems confronting the nation, came to the conclusion, albeit reluctantly, that these omissions must be due to sheer fatigue and the pressure of day-to-day responsibility for government. They demanded that the failure should be made good in the political broadcasts. Mr. Herbert Morrison gave the first of these and he did not respond to the *New Statesman*. He stuck firmly to the domestic issues in what some listeners found a weary performance. But others thought the quiet, confidential manner effective. The address set an example, freely followed everywhere, in the tactic of endeavouring to frighten the electorate with dire warnings of what 'Tory wreckers' would do to the Welfare State. It seemed important to Labour to ignore the fact that most of the ingredients of the Welfare State are common ground between the parties. The Conservatives, on the other hand, not only maintained their claim to have had the larger share in initiating the social services, but argued that they were still the only trustworthy guardians of the system, on the ground that Labour policy, by failing to maintain the exchange level of sterling, had reduced the real value of the money benefits paid.

It was, indeed, a dull opening and the early stages of the campaign were not stimulating. The brighter newspapers were hard put to it to present the election as live news. It was left to the irrepressible Liberals to strike what few sparks there were in the opening days. Rushing into the fight with intense animation but few solid hopes they met fire from both sides, each fearing to lose by the intervention on a fairly large scale of these rash warriors to whose fortunes the twentieth century has been so unkind. Mr. Churchill assailed them in the north for repudiating conscription; Mr. Morrison prodded at them simultaneously in the south for thinking that they had the slightest hope of forming an administration. On the continued need for national service Mr. Churchill was forthright and his declarations on this subject drew a blessing from the Minister of Defence, Lord Alexander. The Minister observed that national service was, in a sense, the price that had to be paid for full employment.

But conscription was not an election issue. Petrol became one, at the instigation of the Conservatives after rationing had been abolished in Australia. What perhaps concerned people most nearly was the cost of living which over the past few months has continued to rise slightly. Food prices have been steady but, even so, one is often surprised to find people with large families not taking their full rations. As the cost of living is the spur to wage demands it is intimately bound up with wages policy, which is discussed below. All parties therefore had much to say about food subsidies, now running at the rate of about £462 million a year. The Conservatives proposed a progressive reduction in subsidies with a counterbalancing

enlargement of the consuming power of groups in genuine need of subsidy such as children and old people. To this the Labour party, determined to maintain the subsidies, retorted that a vote for the Conservatives was thus a vote for dearer food.

Hiatus in Wages Policy

A NEW government will have early in their career to brace themselves to the task of finding a new wages policy, because there can be no doubt about the failure of the policy of stabilization. This policy was approved on January 12 by a conference of executive committees of trade unions affiliated to the T.U.C. by so narrow a majority (roughly 7 to 6) that it cannot be regarded as having decided anything. "The politicians of the Labour Party are no doubt duly thankful for the result," observed the London *Economist*, "for it provides the logical rounding out of the economic policy with which they are going to the country. No longer can it be said against them that they control everything except wages. Now everything is under control—in the colloquial, if not the literal sense." That would seem to be a fair summing-up of the politicians' short-term view, but even they must realize that the vote means trouble and it may well mean much more trouble for a Conservative Government than for Labour. The earlier policy worked out by the T.U.C. in consultation with the Government was severely shaken by devaluation and after September there was increasing pressure from many directions. Less than a week before the trade-union conference the news leaked out that high civil servants of the First Division Association were objecting to the Government's handling of their policy for holding down salaries. When, a year ago, the Chorley Committee recommended increases in pay for these civil servants they agreed to a postponement so long as there was equality of sacrifice with others whose salaries the Government controlled. It was a failure on the Government's part to implement this policy that led the First Division Association, after much heart-searching, to protest to the Government.

The former policy of wage restraint was accepted by the trade unions two years ago and only last September, shortly before devaluation was announced, the Trade Union Congress at its annual conference gave a clear vote in favour of its continuation. But since devaluation was likely to make a rise in the cost of living inevitable a policy of wage restraint depending on continued stability of prices could not be effective. The General Council of the T.U.C. thereupon set about devising a new scheme and, after two months of anxious cogitation within its ranks and with Sir Stafford Cripps and other Ministers, produced the stabilizing policy. This asked much more of workers than restraint which had, in practice, led many unions to feel justified in pressing claims. The new policy affected even those wages governed by cost-of-living sliding-scale arrangements and the policy was to operate for at least a year. This plan met with a four-fold opposition. The Communist-dominated unions objected because they have always opposed restraint; the unions whose members benefited from the sliding-scale scheme resented an intrusion into what they had come to regard as part and parcel of their wages structure; other unions, like the engineers, with elements admittedly

low paid, declined to renounce improvement while profits remained high; and the miners, when it came to deciding in the coalfields, simply said "No" because they did not see why their wages should continue to be pegged while the cost of living rose. A Labour Government might be able to hold this policy for a little while because of the loyalty of the trade-union movement and because union leaders do not like to press claims which have no chance of succeeding. But with such a strong dissident force and the possibility of a further rise in living costs the precariousness of the policy is too obvious to be ignored.

Great Britain,

February 1950.

NORTHERN IRELAND

THE settled political scene in Northern Ireland, only passingly disturbed by last year's general election, underwent an unexpected change in December, when under pressure from a section of his own party Sir Basil Brooke decided upon a review of the Education Act, 1947, as it applies to voluntary schools. At the same time Lieut.-Col. S. H. Hall-Thompson resigned his post as Minister of Education and was replaced by Mr. H. C. Midgley, who, as a former Socialist, holds decided views.

The significance of these events is greater than may appear. Nowhere do politics, religion and education converge more turbulently than in Northern Ireland. This was the experience of Lord Craigavon at the start of self-government, and the present issue tends to be whether the compromises reached in his time, which have met with fairly general satisfaction, are to be jettisoned in face of a demand for greater public control. The review must be completed by March 1951, but having regard to the wider political implications there is no reason to think that the Government has committed itself to new legislation.

In view of the universal nature of relationships between state systems of education and voluntary institutions an outline may be given of developments in Northern Ireland. When Lord Craigavon became Prime Minister in 1921 his desire was that children of all creeds should attend public elementary schools. He found, however, that the Roman Catholic Church was firm in its refusal to surrender the schools under its control or to allow Roman Catholic children to be educated under a secular system. A number of Protestant managers, for differing reasons, were also intent on retaining their schools and the right of appointment of teachers.

As the Roman Catholic Church had made itself responsible for nearly one-third of the child population the Government was obliged to concede that it should be assisted from public funds to the extent of 50 per cent of the cost of school maintenance. This was later made to include 50 per cent of the cost of new buildings and repairs. The State continued to pay the salaries of all teachers, but it maintained the principle that no voluntary school that did not submit to public control could be relieved completely of its financial burdens.

A further compromise designed to secure the co-operation of voluntary school managers was a "four-and-two" committee. To this a manager could

nominate four members and the local education authority two, in return for which degree of control the school became entitled to grants of 100 per cent. Only Protestant schools took advantage of this plan, which is similar to that accepted by the Roman Catholic clergy in England.

Under the general arrangements many Protestant schools were transferred to the public authority and education made notable strides. At all times provision was made for religious instruction of undenominational character. The Act of 1947, which expanded the educational system on the lines of the British Act, recognized the burden which would fall on voluntary primary and intermediate schools by raising grants to the level of 65 per cent. It also incorporated a conscience clause for teachers in public schools to relieve those who did not wish to give religious instruction. As a result the Government came under the double criticism of giving further aid to the Roman Catholic Church and lessening the power to appoint Protestant teachers to schools run by the public authorities.

The Act was finally approved by Parliament without much amendment, and since that time it has appeared that the public, including the Roman Catholic minority, were ready to allow it an extended period of trial. The more active Unionists only resumed their opposition when the Government proposed that public funds should bear, in addition to the teachers' salaries, the employers' insurance and superannuation contributions. In resisting a Bill for this purpose some Unionist M.P.s claimed that it was in the interests of a stronger secular system, but there is a suspicion of a sectarian motive in the attempt to gain more control of Roman Catholic schools, of which there are about 600.

In the outcome the Prime Minister not only promised a review of the principal Act, thus sacrificing the Minister, but agreed that the payment of insurance contributions should terminate on March 31, 1951, which becomes the deadline for a statement on future policy. The crisis in Parliament took the country by surprise, since the Prime Minister was thought to have sufficient authority to have demanded and won a vote of confidence.

The issue is regarded as one between liberal and reactionary ideas, for there now exists in Northern Ireland a strong body of opinion that the peaceful state of the community, and ultimately the Union with Great Britain, warrant generous treatment of the Roman Catholic minority. From this point of view it is asserted that by refraining from interference with voluntary schools and giving substantial grants from public funds Northern Ireland has been able to avoid strife and disprove any charge of intolerance.

With these critical matters at stake there is anxiety lest the review of the Education Act should lead to proposals for its replacement by a more arbitrary system. So far the Prime Minister has shown an instinctive desire to preserve unity in the Unionist party, but the final choice will be between its moderate or more extreme elements. Until this difficulty has been resolved the political situation will remain overshadowed, an unfortunate circumstance in the year of his official visit to the United States.

Northern Ireland,
February 1950.

IRELAND

A NEW PATTERN

IRISH politics during 1949 began to assume a new and more normal pattern. As elsewhere in western Europe, the pressure of social and economic problems, the solution of which cannot be indefinitely postponed, is making itself felt. This process, which is far from complete, will eventually involve not only a re-orientation of existing parties and policies, but also for the smaller groups consolidation or extinction. Our political leaders will have to forget their traditional catch cries and adjust themselves to reality if they wish to survive. The febrile personal hatreds and controversies which derive from the Civil War period mean nothing to a younger generation. Now that we have a republic a Republican party seems superfluous, and the artificial clamour about Partition, being common to all parties, is therefore of no political value to any. The vital problems which confront us are quite other and more important.

Social Security

A SUGGESTED solution for one of the most serious of these problems is outlined in the Government's proposals for a Social Security scheme published on October 25. Since the establishment of the Irish State thirty-eight years ago relatively little attention has been paid to this matter. Apart from the Unemployment Assistance Scheme of 1933, the Widows and Orphans Pensions Act of 1935 and the Children's Allowances Scheme of 1944 our present social-security system is based on two Acts of the British Parliament, namely the Old Age Pensions Act of 1908 and the National Insurance Act of 1911. The White Paper embodying the new proposals, which are founded on the principle of insurance rather than assistance, proposes an amalgamated scheme extending the existing benefits for unemployment and disability, widows' pensions, maternity and orphans. To these are to be added retirement pensions at 65 for men and 60 for women as well as grants on death. The means test is to be abolished, but, in view of the low level of wages in some occupations, provision is to be made in such cases for smaller contributions and benefits. The weekly contribution of employees is to be raised to 3s. 6d. for men and 2s. 2d. for women, with equivalent contributions by the employers. The present rate of combined contribution for national health and unemployment insurance is 1s. 11d. by the employee and 2s. by the employer. The existing social-security schemes provide £15½ million annually in benefits with a total outlay of £17 million, towards which the State contributes £12½ million. It is calculated that after five years the new scheme will require a total annual outlay of £23 million, towards which the State will contribute £15½ million. This will mean an increased State contribution of £2¾ million and an increased contribution from employer and employee of £3¾ million, making a total increase of £6¼ million. Payments

will be compulsory from all persons working under a contract of employment except those engaged in the public services and some employees of local authorities. The main rate of benefit in the major schemes of unemployment, disability, retirement and widows' pensions will be 24s. a week with additions for dependent wife and children. As 10 per cent of the total population is 65 or over, retirement pensions will constitute a heavy charge. It is calculated that the number of participants in the new scheme will be about 700,000; and 1,200,000, mainly "persons working on their own account", are excluded. These figures illustrate the difficulty of applying security schemes primarily devised for an urban wage-earning population to an agricultural economy largely based on the small farmer and his family. When considering the scope of the new proposals one must remember that our production per head of population is half that of Great Britain, that the number of persons supported per square mile is half that of Austria, the lowest figure in western Europe, and that the scheme, which is undoubtedly the result of a compromise within the Government, is therefore, having regard to our resources, both generous and comprehensive. Whether it will eventually expand depends on the development of our national economy. Only by increased production can the real value of the benefits to be provided be maintained or increased.

Criticisms

WHETHER through apathy or satisfaction there has been little informed criticism of this first definite step towards the Welfare State in Ireland. Even the *Irish Times*, which represents a Conservative point of view, admits that some such scheme was necessary and inevitable as a counter-inducement to Irish workers whom the British social-security scheme is believed to have attracted. Alleging that there is a shortage of operatives in the Irish building trade owing to emigration to Great Britain, the Government has just published a special pamphlet entitled *Ireland is Building*, directed to the Irish tradesmen working in England; and Mr. Costello in a New Year's broadcast specially asked them to return. The building trade unions, however, maintain that most of the skilled men who went to Britain during the War have returned, and they have requested the Government to suspend its labour-recruiting campaign until satisfactory financial provision for new housing schemes is made. It would seem that a socialist Britain is as serious a menace to our prosperity as its capitalist predecessor.

The only substantial criticism of the Government's plan has been made by a Franciscan priest, the Rev. Felim O'Briain, who is Professor of Philosophy at University College, Galway. He complains that, as the scheme excludes the whole rural community except some 87,000 farm workers, it is not comprehensive and so violates the natural law of distributive justice. He claims that the National Health Insurance Society, whose functions are now to be taken over by the Ministry for Social Welfare, should have been enlarged to administer social insurance on a vocational basis. Father Coyne, the well-known Jesuit social worker, has also criticized the scheme on similar grounds. As the Fianna Fail party, who constitute the opposition, are hardly likely to risk

unpopularity by opposing the scheme, such criticisms cannot affect the issue and the proposals will probably become law before the year is out. What the reactions of employees will be when their pay packets are substantially reduced by the amount of the new contributions is quite another matter. One can foresee demands for increased wages and other unpleasant results, possibly of a political nature. For the moment, however, Mr. Norton, the Minister for Social Welfare and leader of the major Labour party, can certainly claim to have delivered the goods. Some of the Fine Gael party can hardly be blamed for feeling that the tail is wagging the dog.

Monetary Policy

THE problem of monetary policy is seriously troubling our politicians and economists. Ireland owes her exceptional net creditor position mainly to two wars, during which the volume of imports contracted far more than the volume of exports. Of our external assets, the gross total of which is estimated to be about £400 million and the net £225 million, 97 per cent are sterling assets because our earnings abroad are virtually all in sterling. It is therefore no exaggeration to say that whatever temporary facilities, such as Marshall Aid, may be available from time to time, our capacity to pay our way internationally ultimately depends on our being able to use the surplus sterling arising from transactions with Britain to meet the deficits in our balance of payments with other countries. Moreover, we can afford to draw further on our external (i.e. sterling) assets only in so far as the use we make of the proceeds at home compensates for the initial loss of external income and resources. If, therefore, external assets are realized to finance productive work here, thereby giving employment and raising the national income, and the balance of payments is not permanently upset, there can be no question of the desirability of repatriating them. We cannot, however, dissipate our sterling holdings on unproductive projects without eventually lowering our standard of living.

These considerations clearly inspired the speech made by Mr. Costello, the Prime Minister, at the annual dinner of the Institute of Bankers in Dublin on November 19. The Government, he said, were framing their economic policy in order to achieve such a level of productive national activity that full employment might become a reality and avoidable emigration unnecessary. He attributed the low level of our national wealth to the inadequacy of capital investment, particularly in agriculture. The Government, he said, were determined to eradicate the evils of housing shortage, unemployment and tuberculosis. Referring to the repatriation of sterling assets he said that it would be thoroughly desirable if we found for them at home uses as productive as they serve at present. But moneys so repatriated and productively invested at home must, he insisted, be made as sound and secure as they would be abroad. A temporary disequilibrium in the balance of payments was inevitable during repatriation, but there were greater evils. He added, however, that even foreign investment was better than bad domestic investment, and certainly better than anything remotely approaching dissipative expenditure.

It seems clear from Mr. Costello's speech that the Government's approach

to this difficult question is both cautious and reasonable. About 40 per cent of our sterling assets are held by private investors and it is obviously desirable to maintain at all times a certain level of foreign investment; so the extent to which these external assets could be transferred is limited. The general principles laid down by Mr. Costello are sound and satisfactory but their application does not seem so clear for, as Mr. Lemass, the former Fianna Fail Minister for Commerce, later pointed out, of £137 million imports in 1948 only 10.8 per cent were capital goods and even these represented replacements rather than expansions or new enterprise.

One result of Mr. Costello's speech was that the Irish banks soon afterwards agreed to underwrite in full a housing loan of £5 million by the Dublin Corporation, to which it is understood they had previously demurred. The Government has also announced that it proposes to spend £120 million during the next ten years on housing and hospitals. The amount of our funded and unfunded debt with other capital liabilities on March 31, 1949, was £105,770,547. This figure includes a sum of £1,961,515 received under the United States Loan agreement. During this year we are to receive from E.C.A. a grant of \$3,000,000 and a loan of \$41,900,000. The marked rise in exports and the fall in imports during the last year should soon bring our balance of payments close to equilibrium. Cattle exports alone increased last year by 50 per cent over 1948. But, as Mr. Mac Bride, the Minister for External Affairs, has recently pointed out, our exports, which are mostly food, go principally to another O.E.E.C. country, namely Great Britain, thus saving dollars for Europe but not earning dollars for us. It is the character rather than the price of our products which limits the possibility of expanding our dollar exports, so devaluation is of little advantage to us. The tourist industry almost alone affords us a chance of earning dollars, but little has been done to develop or improve this vital business. At present 90 per cent of our visitors are British.

International Panaceas

MR. MAC BRIDE, as Minister for External Affairs, attended the November meeting of the Council of O.E.E.C. in Paris and suggested a joint American-European plan for the development of the backward areas of the world coupled with a multilateral trading system which would enable European countries to earn dollars without forcing unwanted goods on the American market. He proposed the convening by O.E.E.C. of yet another World Conference to consider such a programme and the possibility of a unified currency for western Europe. These suggestions, obviously inspired by President Truman's famous Fourth Point, although undoubtedly interesting as an exercise in imaginative economics, had of course no chance of being approved by the Council, nor indeed would they have been acceptable to our well-protected manufacturers if they had. Mr. Mac Bride on his return was careful to explain that we would not be called upon to take any action concerning the decision finally arrived at by the O.E.E.C. Council regarding the removal of quantitative restrictions on private imports, our quotas being well below those permissible. The restrictions in question he pointed out had

nothing to do with tariffs. But in Paris he appeared as an advocate of increased multilateral trade, only possible by an all-round reduction of tariffs, and stated that Sir Stafford Cripps's plan for freer European trade did not go far enough.

Mr. James Dillon, the Minister for Agriculture, went farther afield to the Food and Agricultural Organization Conference at Washington. On his return he said that the principal positive work done at this gathering related to administration. When the conference got down to the question of bringing so-called food surpluses to countries which were short of food he claimed that they found themselves completely blocked by the inconvertibility of sterling and dollars and the resulting multiplicity of agencies. "Sooner or later", he declared, "if a catastrophe of the first magnitude is not to supervene, an arrangement will have to be made between the United States, Great Britain and the Commonwealth, for the free passage of men, money and goods throughout their respective territories for at least a limited period of time, and the greater the number of free democracies who can collaborate in this economic union, the greater the prospect of success will be." Unfortunately Mr. Dillon and his colleagues have by their own action deprived themselves of any voice or influence in the only place where they could effectively promote these rather grandiose plans for a new world.

Political Changes

THE victory of the inter-party candidate in the West Donegal by-election, which took place on November 16, has increased the government majority by two votes. The state of the parties in the Dáil is now, combined Government parties 78; Fianna Fail 66. Mr. Mac Bride's Republican party ran a candidate of their own at this by-election. The first count showed Brennan (Fianna Fail) 12,700, O'Donnell (Inter-Party) 11,256 and Canning (Republican party) 2,812. On the subsequent elimination of Mr. Canning 2,378 of his votes went to Mr. O'Donnell, thus giving him a majority of 771 over his Fianna Fail opponent. This result would seem to show that Mr. Mac Bride's party has no future as a political force, and apart from his personal declarations it has also no policy. It may be doubted whether it was good tactics to advertise its weakness by running a separate candidate in Donegal. A remarkable feature of the contest was the comparative silence of all parties on the subject of Partition. Perhaps this was due to the fact that the people of a border constituency know too much about the subject and even have a vested interest in its continuance. Rumours and speculations are rife as to various projects for re-uniting the two Labour groups and for their subsequent absorption of Mr. Mac Bride and his followers, but there seems small chance that they will materialize this side of a general election. Afterwards it may be too late. Irish politicians are not inclined to anticipate events, and the present uneasy alliance between Left and Right, which constitutes the Coalition Government, and which is based on self-preservation, is therefore likely to continue.

Ireland

February, 1950.

INDIA

PROCLAMATION OF THE REPUBLIC

THE Constituent Assembly, which first met over three years ago to frame the Constitution, ceased to function in that capacity on the afternoon of Tuesday, January 24, and automatically became the provisional Parliament of the Indian Republic which was proclaimed two days later amidst country-wide rejoicing. The transition period—if ever there was such a thing—is over. The last of the Governors General and the only Indian to hold this high office has been replaced by the first of the Presidents; the Crown as the seal and symbol of the State has given way to the three Lions of Sarnath; the right of appeal to the Privy Council has been abolished in favour of the Supreme Court of India, which is the new title of the former Federal Court; all the outward and visible signs of the old régime have been finally banished. In form, if not in fact, a pretty complete break has been made with the past, though the whole of history—particularly Indian history—shows that the past is not so easily shaken off. Perhaps because India is still very conscious of the immediate past, the public festivities in honour of the inauguration of the Republic were decorous in kind, with a notable emphasis on simplicity and austerity. This day of national rejoicing occurred seventy-two hours before the second anniversary of Mahatma Gandhi's assassination, a grim reminder of the blood and tears of yester-year.

To say that many things have happened in the two years, five months and ten days that have passed between independence and the coming of the Republic is merely to affirm the obvious. To attempt to describe them in every detail would be impossible within the compass of a brief ROUND TABLE dispatch; more important is what they add up to in terms of policy and achievement, of things done or left undone, of hopes fulfilled or hopes deferred. How much of the stuff of real nationhood has come to the surface in the crucial months since August 1947? As always in India, the picture is varied and, viewed from some angles, flatly contradictory. But as a rough generalization this much can be said immediately: India has shown a degree of political maturity which far surpasses any displayed by her Asian neighbours who have achieved their freedom in the post-war period—a statement which obviously invites, but on this occasion will not be accorded, comparison with Pakistan. The proportions in which political wisdom and experience are distributed between a few leaders and the great mass of the people is (for the purposes of the present argument) less important than the fact that these qualities are there and have revealed themselves in good measure in many of the vital decisions which the Nehru Government have been called upon to make. To a large extent these short formative years since Independence have been a period of trial and error and, to their credit, the Prime Minister and his colleagues have not hesitated to retrace their steps when it has become obvious that policy was in danger of lapsing into error. Occasionally, for

good party reasons, the retreat has had to be carried out stealthily and under cover. Whenever necessary it has been done, and political courage as much as individual good sense has contributed to the success of the operation. To propound a further generalization: faulty judgment has been more in evidence in the economic than in the political sphere. Finally, whatever may be said to the contrary by interested parties (mainly foreign-inspired organizations of the extreme Left), there has been a great deal more of real liberty than might fairly have been expected from a Government newly installed in office in what many people regarded as a semi-revolutionary situation. Indeed, many Indians to-day would favour a tougher policy towards those who theorize about civil liberties mainly as a mask for their revolutionary designs. But the Nehru Government, and especially in this particular matter its second in command, Sardar Vallabhai Patel, have been careful not to lay themselves open to the charge of "repression", with the inconvenient connotations which the word carries by reason of its extensive usage in the political vocabulary of the past. Hence the objective has been to preserve a nice, but sometimes precarious, balance between the requirements of law and order and a generous interpretation of individual liberty, which is not an easy task anywhere in the world.

Medio Tutissimus Ibis

ON the assumption that the present Government of India is now firmly in the saddle, that the electorate will confirm it in office at the first general election under the new Constitution and that no alternative administration, either of the revolutionary Left or of the unorganized Right, is in sight, what conclusions can be drawn as to future policy in the light of the experience of the last two and a half years? Inferences must necessarily be tentative and provisional, but the evidence points strongly to the conclusion that the Nehru Government is irrevocably committed to the middle of the road and that the attainment of no small part of its programme depends upon maintaining a steady midway course which steers clear of political extremism at home, power politics abroad, economic collapse through rash experimentation, and a weakening of the essential fabric of Hinduism by premature attempts to change or eliminate some of its precepts. Some of the things which for long formed basic ingredients in Congress policy have of course already been accomplished in the past two and a half years in the process of constitution making. There is probably less communalism in Indian politics to-day than at any time in the past hundred years, which is attributable partly to partition and partly to the concept of the secular state. Separate electorates, which were the main prop of communalism, have been discontinued and reservation of seats has been restricted to the representation of *harijans*, and that only for a limited period. The theory is that henceforth neither the citizen's loyalty nor his career will be affected by the accidents of birth and the rigidities of caste or creed. Though smaller, the new India is a good deal less compartmented than the old, and the great Hindu majority which has always declared its wish to be fair to the minorities is now sufficiently strong to be able to do so without risk to itself. This is a state of affairs which should

be better for the nation and for the minorities alike. Of the political oppositions, the Socialists and those farther Left, it may be assumed that they are national and not communal—though the Hindu Mahasabha and the R.S.S. would doubtless claim to be both. The integration of the States is another facet of the same desire for unification and for simplification of the network of geographical, ethnic and political frontiers of which the British régime had constituted itself the warden. That astonishing lumber-room of the former administration—the Political Department—has been cleared out and the result is that for the first time in her history India is one colour on the map. Only now is it possible to measure the big administrative differences which existed between the former States and the former provinces. The poverty of public life and of the administrative equipment of the States has never been more clearly demonstrated than in the poor quality of the ministries they have recently thrown up, and the heavy financial commitments that are necessary to bring States' conditions up to the level of even the more backward provinces in the cases where the former have been merged with the latter. There are, of course, exceptions such as Mysore and Gwalior, but the absorption of the States into the Republic, which has been one of Sardar Patel's more spectacular achievements in the transition period, should not merely make for the easier government of the country as a whole, but should also give the subjects of the former States some of the limited social services of their brethren in the provinces. The States and the minorities have been dealt with along lines with which the Congress party made the country familiar in the course of thirty years of propaganda. The interesting point is that they have been dealt with a good deal more expeditiously and effectively than most people thought possible when these topics used to be debated from the safe vantage point of the 1935 Act or the seclusion of the Round Table Conferences.

The Vacant Leadership of Asia

IF we look at the trend of policy farther afield, foreign relations have been directed along channels that conform remarkably to the country's past. Given Prime Minister Nehru's oft-proclaimed antipathy to India's incorporation in what he calls "power blocs", the obvious and only alternative is the association with the Commonwealth which he has consistently, but cautiously, pursued during the past two and a half years. At last year's Prime Ministers' Conference in London, at the later Finance Ministers' Conference and more recently at Colombo India has played an important and constructive rôle, the practical results of which are in no way lessened by the more spectacular tour of the United States of America which Pandit Nehru undertook last autumn. Amongst the Asian countries India has established a position of leadership the need for which has been emphasized rather than lessened by the emergence of a Communist régime in China. The one big omission in the sphere of foreign policy has been the failure to establish a stable relationship with Pakistan, to which the continuance of the Kashmir dispute, the protracted rupee-exchange deadlock and the now almost total cessation of commercial intercourse between the two countries bear eloquent and distressing witness.

There have been grievous faults on both sides, and by no means all of the responsibility for the *impasse* lies at India's door. But until they get mutual relationships on to a manageable basis, neither country can truthfully claim to have well and truly laid the foundations of a realistic foreign policy. It is in this sphere that real opportunities for statesmanship reside, for as long as something approaching a "cold war" is being waged in the sub-continent neither India nor Pakistan can really exercise that moral leadership in the spheres of Asian and Middle Eastern affairs to which both aspire. More importantly, perhaps, prolongation of the present disputes is a continuing threat to the unity of the Commonwealth and to its function as a link between East and West. Political abstractions apart, the price which each country is paying in terms of loss of trade, for the doubtful pleasure of employing economic sanctions against the other, has now reached a stage where both are losing business in the markets of the world and both must suffer some further deterioration in the balance of payments and standards of living.

No Economic Millennium

HOW much of the foregoing is translatable into terms which mean something in the everyday life of the average man and woman is problematical but, almost certainly, very small. It is, in fact, the weakness of this policy of the transition period that so little of it can be said to have brought more food, more cloth or more fuel (the three essentials of what is still a predominantly agrarian economy) into the home of the *ryot*; though it is arguable that the long phase of high agricultural prices has considerably benefited the latter at the expense of the urban population. But whatever the temporary shifts of income between various groups and classes, the problem of India is the problem of the chronic poverty of her millions, and if it be asked how much has been done in the past two and a half years to relieve their plight the answer must necessarily be disappointing. But at least the existence of the problem has been publicly admitted, and neither Ministers nor other Government spokesmen shirk making regular, and inevitably embarrassing, confessions that its solution remains the central objective of policy. "It is the primary objective of my Government to raise the standard of living of the people", said President Rajendra Prasad in his first address to Parliament on the opening day of its current budget session, and he went on to explain that the need to import food and the continuance of inflationary conditions have "delayed progress in many important aspects of nation-building, among them being education and health to which my Government attach great importance", adding "my Government regret this delay greatly". There is no lack of recognition of the fact that for the great majority of the Indian people political programmes are meaningless unless they hold out the prospect of more, or less, bread or rice. If this test is applied domestic policy is pretty well where it was twenty-four months ago. Food supplies are still uncertain and the country remains highly dependent on imported and expensive food grains, a substantial proportion of which must be paid for in hard currencies. This is not, of course, wholly due to faulty policy-making or to ineptitude or indifference in high places; in large part it is a legacy of

partition, which has left the new India deficient in both food crops and critical industrial raw materials.

That there has been a good deal of dithering in the face of this serious situation is unhappily true. There has been much planning but not a great deal of execution. The basic facts are no longer in dispute; what is now required is resolute and determined action to raise the agricultural economy of the country to a level at which it will not only make good recently inherited deficits, but will also suffice to support a population of over 300 millions which is increasing at the rate of 1 per cent per annum. This not only calls for a more rapid implementation of the sundry multi-purpose irrigation and development schemes which are on the drawing-board, but it also indicates the need for a more realistic utilization of existing agricultural assets, in terms of both land and man-power. If provincial administrations, which have displayed so much zeal for the abolition of *zemindari* and the dispossession of the landowner in the last two years, had shown the same devotion to the task of making two ears of corn grow where only one grew before, India's situation would be vastly different to-day. The quantum and the pace of further industrialization in India are bound to be restricted by circumstances which need not be discussed on this occasion. But India shares the common preference of the new Asian governments for somewhat ambitious industrial projects, for reasons which are partly psychological and partly political. On the one hand it is felt that a predominantly peasant economy is the mark of a second-rate society, and on the other there is a very real desire to reduce dependence upon the old industrial countries of the west. But neither of these things is a decisive argument in the fight against poverty and disease, the elimination of which is, as India's Prime Minister declared at the Colombo Conference, the only sure safeguard against the further spread of Communism in the East. Mahatma Gandhi saw clearly that India's reconstruction must begin in the villages and the country-side—and begin with the simple things such as drainage, roads, better water-supply, &c. Whilst reading Ruskin's *Unto This Last* Gandhi coined the word *Sarvodaya* to which he gave the meaning "the uplift of all without any exception". It is perhaps not without significance that a *Sarvodaya* movement has recently come into being which has attracted the attention of many thinking Indians. In addition to its ethical foundation *Sarvodaya* has as one of its principal objectives the promotion of higher standards of rural life by the inculcation of better methods of working the land. The movement is not likely to sweep through the country in a fiery crusade, but it is a signpost on the road along which many people's minds are beginning to travel. There are indications that the tremendous wave of enthusiasm for industrialization, engendered by a spate of badly laid plans in the immediate post-war years, has spent itself. Many projects will of course be carried through to completion. Some have already died a natural death and others will succumb in due course. But the result is that the inauguration of the Republic sees the country in a more sober and chastened frame of mind than at any time since independence.

India,

February 1950.

PAKISTAN

FIVE DISPUTES WITH INDIA

IN an important statement in the Constituent Assembly Mr. Liaquat Ali Khan cleared the main issues between India and Pakistan and outlined his proposals for settlement. He listed the main disputes as five: (1) Jammu and Kashmir; (2) Junagadh and the neighbouring States which have acceded to Pakistan; (3) canal waters; (4) evacuee property and (5) assets of Pakistan withheld by India. It was rather surprising that he did not include India's refusal to recognize the par value of the Pakistan rupee, which has, in fact, led to the total interruption of trade between the two countries; presumably his reason for this omission was that he did not class this as a dispute which could be subject to discussion, for Pakistan's point of view is that the par value of her rupee in relation to gold stands unchanged and, if India refuses to recognize it, there is nothing that can be done and no room for argument or compromise. In regard to the five main outstanding disputes, Mr. Liaquat Ali Khan's general line of approach was that the method of negotiation should first be tried where there is still scope for it (as in the case of evacuee property and the withholding of Pakistan's assets), that mediation should form the next step and, finally, if that fails, arbitration. Both Governments should agree to abide by the award of the arbitrator, and arbitration should in each case cover differences over procedure as well as the main issues at stake. The canal-water dispute, however, is on a somewhat different footing, being a juridical matter, and the Prime Minister's proposal was that this should be referred for the decision of the International Court of Justice.

The Kashmir and Junagadh disputes are already at the stage of mediation, but in the former it appears that the Government of India has virtually rejected the McNaughton formula, on the ground that it would involve recognition of the status of the Azad forces and of the right of Pakistan's regular troops to be on Kashmir territory. There is a general atmosphere of pessimism in Karachi in regard to this all-important matter, and no confidence whatever that India will agree to arbitration. Indeed, the Government of India has already rejected proposals that the differences in regard to the truce negotiations should be referred to arbitration. Pandit Nehru's proposal that a joint declaration should be made by the two Governments to the effect that neither would resort to war for the settlement of existing or future disputes has not aroused the slightest enthusiasm, for it is felt that such a declaration would carry conviction to no one, unless supported by evidence of some concrete attempt to reconcile conflicting points of view or to bring a settlement within sight.

The trade deadlock is now virtually complete. Up to the third week of December, India still continued to supply Pakistan with coal under the agreement in force, but a sharper edge was given to the economic war by the action of the Pakistan Jute Board in detaining over 60 barges carrying about

250,000 bales of jute purchased by the Calcutta jute mills before the devaluation date, as a consequence of which India retaliated by cutting off coal supplies. The Jute Board maintained that proof that this jute had been properly paid for in Pakistan was required, and that neither the buyers nor the shippers had troubled to produce evidence on the point. The Indian Jute Mills Association maintained that they had not been able to find out precisely what evidence was required, and accused the Jute Board of deliberately holding up this jute in order to force the mills to close for want of raw material supplies. The embargo on coal supplies might have had a serious effect on the economy of Pakistan, particularly on the working of the railways, although Government was able to place substantial orders with Poland and the United Kingdom; fortunately, however, this particular hurdle has been crossed, for the latest news, at the time of writing, is that the bulk of the detained jute has been released and resumption of coal supplies is expected shortly.

Sustaining the Rupee

IN the wider field of inter-Dominion trade, it is becoming increasingly apparent that the loss of the Indian market for jute, cotton and other commodities is not so serious an affair for Pakistan as to necessitate any measure of devaluation. The Pakistan Government is not only determined to resist any attempt to force down its rupee, but is claiming that its policy of non-devaluation has been proved thoroughly justified in the event. Admittedly, for the first two months the issue hung in the balance; prices of cotton began to sag, the jute trade was at a standstill, except for large-scale smuggling across the border to India and, if foreign buyers for these two commodities, which are the two main props of Pakistan's prosperity, had not come forward, a grave crisis might have developed. The cotton market, however, staged a remarkable recovery, and prices nearly regained their previous levels, even though the main foreign buyers had to face so heavy an exchange disadvantage. The United Kingdom, France and Italy recommenced the purchase of jute, and for a time it was selling at the baling centres at prices appreciably higher than the minimum rates laid down by the Pakistan Government. This recovery put renewed heart in the Pakistan Government and enabled its spokesmen to congratulate themselves on the success of their policy, even at its most vulnerable points. Furthermore, they were able to take credit for having brought about a sharp reduction in the cost of living in East Pakistan. The rising spiral of inflation had been a source of constant anxiety in that province (which it should be remembered accommodates more than half the total population of the Dominion) ever since partition and, if Pakistan had joined in the general rush to devalue in sympathy with sterling, there is no doubt but that prices would have continued to rise. As it is, by virtue of the traditional connexion between the price of jute and the price of rice, and thanks to a bumper rice crop, prices of rice have fallen sharply (in some districts nearly 50 per cent) and the economic morale of the province is probably higher than ever before despite the fact that jute prices have been slashed by about 25 per cent. The cultivator

may have to tighten his purse-strings, but he no longer has to tighten his belt.

Pakistan and the Powers

IN the sphere of international politics there has been a perceptible revulsion against the shortlived dalliance with Russia. The Pakistan Embassy in Moscow has, it is true, been opened and a Russian diplomatic contingent of nine officials, including the Ambassador and a Commercial Counsellor, is expected to arrive shortly to open an Embassy in Karachi. But Mr. Liaquat Ali Khan's visit to Moscow appears to have been postponed indefinitely, without any reasons assigned. In response to an Assembly question on the subject, the Prime Minister would only say that no date for the visit had ever been fixed, and the question of delay did not, therefore, arise. The Russian trade negotiations appear to have fizzled out, and only three members of the mission remain; they are not engaged in trade talks, but have been buying cotton and a little jute and have been trying, unsuccessfully, to sell cotton piece-goods. The general feeling is that the Russian manoeuvre has served its purpose, and Pakistanis are inclined to assume that President Truman's invitation to Mr. Liaquat Ali Khan to visit Washington next May was the direct result of it. Be that as it may, the evident growth of American interest in Pakistan has aroused great enthusiasm. Mr. McGhee, the Assistant Secretary of State for Middle East and African Affairs, who personally presented the President's invitation, stated in Karachi that his country was becoming increasingly aware of the importance of Pakistan. Practical confirmation of this had already been provided by the visit of the American Steel Mission, a high-powered body of seventeen experts, which was described by a commercial weekly of Karachi as the biggest economic sensation after the visit of the Soviet Trade Delegation. The fact that the prospects of setting up a steel industry in Pakistan are so unfavourable gave rise to a general belief that the Mission had come to make a thorough inspection of the industrial potential of Pakistan.

The Russians also forfeited such popularity as they had in Pakistan by adopting a hostile attitude, in the press and on the air, towards the International Islamic Economic Conference. This conference owed its origin to unofficial initiative, although the idea was later taken up by the Pakistan Government. It was far-fetched and absurd to suggest, as the Russians did, that it had been engineered by the Western Democracies as part of their plan to build up the Muslim *bloc* as a bulwark against Communist encroachment. The work of the conference was mainly exploratory in nature, its only immediate result, in the practical sphere, being the establishment of an International Islamic Economic Organization, with headquarters in Karachi. The objects of this body are defined as the aiding and stimulating of the economic advancement of Muslim countries, so as to assist in raising their living standards and enhancing their national prosperity and well-being. The most interesting feature of the proceedings was a thoughtful and impressive Presidential address by Mr. Ghulam Mohammed, Finance Minister of Pakistan. Discussing the political future of the Muslim countries,

he stated that they were under pressure from two different ideologies and were being told that they must be camp-followers of the one or the other. He suggested the possibility of evolving a third ideology, accepting the good that might be discovered in either of the others and rejecting all that was contrary to the spirit of Islam. He spoke approvingly of the British measures to check the concentration of wealth in individual hands which, he said, were bringing Britain nearer to the Islamic way of life. In the Russian social system he found much that was repugnant to Islamic ideas.

Constitution

THE Constituent Assembly had a busy session in December and January, and got through a great deal of legislative business. The official Bills mostly consisted of amendments of existing enactments to adapt them to present conditions and to tie up various ragged ends left over from partition. Among the more important measures, an Estate Duty Bill was passed authorizing Government to levy death duties on estates worth more than Rs.1 lakh. By an amendment of the Control of Shipping Act, the Central Government, which had hitherto had powers to regulate only ships registered in Pakistan, was empowered to regulate all shipping in the coastal trade. By the Federal Court (Enlargement of Jurisdiction) Bill direct appeal from the High Courts to the Privy Council was abolished; it was further made clear that the Bill was intended to pave the way for the abolition of all appeals to that body when the Constitution permitted it. By the Criminal Law (Extinction of Discrimination) Bill, the special privileges enjoyed by Europeans and Americans under the Pakistan Penal Code, the Criminal Procedure Code and kindred Acts was abolished. This, of course, was an inevitable and proper consequence of independence. Income Tax and Business Profits Tax legislation was brought into line with the Indian legislation on the subject by means of an important amending Bill; in this instance, Pakistan was content to follow India's lead because so long as the existing Double Income Tax Avoidance Agreement remains in force it is essential that the two countries should remain more or less in step. The statutory provision for double-income-tax relief *vis-à-vis* the United Kingdom was abolished, but it was announced that the arrangement would be continued by a notification pending the conclusion of an agreement for the avoidance of double taxation.

Pakistan,
January 1950.

CANADA

TRADE RELATIONS WITH THE UNITED KINGDOM

WITH the year 1950 Canada is entering a new cycle in her trade relations with the United Kingdom and the British Commonwealth. The nature of that cycle and its results in terms of the Canadian economy are difficult to predict, perhaps because it appears at the moment to have no such governing factors as prevailed in the past. In the end the conditions under which Canadians will sell to Britain and purchase from Britain in the next ten years may prove to be mutually more beneficial than those of the past. It is a feeling of uncertainty rather than any conviction of doom that has brought inconsistent and even contradictory statements from Canadians, including two Canadian Cabinet Ministers. Even before the close of 1949 Canadian thinking was being confused by these openly expressed divergent views. The Minister of Trade and Commerce, Mr. C. D. Howe, was telling Canadians that the solution to the trade problem lay in a better bilateral balancing of their trade with Britain, or in other words larger purchases from the United Kingdom. Canadians now purchase from the United Kingdom at the rate of about \$23 *per caput*. It is estimated that if this were increased to \$54 *per caput* it would provide enough Canadian dollars in Britain to pay for everything Canada wants to sell in that market. On the other side the Minister of Agriculture, Mr. James G. Gardiner, was accusing the United Kingdom Government of a deliberate onslaught on Canadian markets in that country, asserting that that Government did not want to buy Canadian food and urging Canadian farmers to buy only where they could sell. The speech, made first at Brantford, a centre of the Canadian farm implement industry, and repeated later in the House of Commons, was a deliberate attack on British imports.

Mr. Gardiner's speech was obviously inspired by a number of mixed emotions. He recognized the dollar shortage in Britain or what he described as the "cold war of exchange" as a factor in the picture, but he refused then to believe that it was the sole factor. He said openly, stopping only just short of publicly naming Sir Stafford Cripps, that the loss of Canadian markets in Britain was the result of the deliberate policy of one man. He appeared also to be using a technique which he had attempted a year before, of appealing to the British people over the heads of their Government to strengthen his hand in bargaining for a renewal of British food contracts. Finally it is fair to say that Mr. Gardiner's attitude at that time, December of 1949, reflected something of sheer disappointment. It was Mr. Gardiner who at the beginning of the war organized the Canadian farmer as a vast source of food supply for Britain. Like everyone else he was making his personal contribution towards winning the war. Before the end of hostilities, however, it became apparent that he had hit on something of extreme value to the Canadian economy. He had geared Canadian agriculture to supply the British market. He had sold the Canadian farmer on the philosophy of long-term

stability rather than high prices and he had maintained that conviction through the post-war period of scarcities, when prices sometimes double those of the British contract levels could be obtained for Canadian foodstuffs. At the end of 1948, but more clearly at the end of 1949, Mr. Gardiner realized that his farm program was collapsing.

In the broader picture 1949 saw the end of a definite cycle in Canada's trade relations with Britain and to some lesser extent with the Commonwealth generally. Over the past decade there have been definite characteristics distinguishing this cycle, among them the system of purchases by Britain of foodstuffs and basic commodities under contract at firm prices and for varying terms.

Another important factor was the extension of gifts and credits to Britain by both Canada and the United States. From Canada alone there was the gift in 1942 of \$1,000 million for the purchase of foodstuffs and war supplies. In addition there was an interest-free loan of \$700 million, a good part of which in one way or another has been repaid. The following year Canada's mutual-aid program was launched, from which Britain received supplies to the value of \$2,000 million. In 1946 there was a total credit of \$1,250 million, of which the last will be drawn this year at the rate of \$10 million a month. The United Kingdom Government and the British people have been generous in their expressions of appreciation for this assistance, which so far as the Canadian taxpayer is concerned can be written off as a reasonable contribution to the war-winning pool. But in any assessment of the Canadian economy it also looms large as a stabilizing factor of the decade, and one which is fast disappearing. In the same way the contract system, even though in itself it has fluctuated—at one period there were no less than twenty-two contracts governing sale of Canadian products to Britain—has acted as a stabilizer.

Imperial Preferences before the War

THESE factors in the troubled and fantastic years of the 1940's had largely replaced those which governed the earlier decade. To a very important extent Canada's trade during the 'thirties, such as it was during those depression years, was based on imperial preferences. They were not of course exclusive to this era or any new departure; but the Ottawa Imperial Conference lent new meaning to this trading device and expanded it to a degree undreamed of in earlier days. Spurred by the necessity for some counter-measure to the high Hawley-Smoot tariff wall established in the United States, members of the British Empire or Commonwealth at Ottawa in 1932 entered into a series of bilateral trade agreements giving high priority to each other for their main products in their respective markets. While it may be argued that the Ottawa Conference was merely one of a number of developments over the years, the extent of these agreements really marked the launching of a new Commonwealth trading *bloc* and one which played a tremendously important part in the industrial development of Canada. It led among many other things to American capital inflow in increasing volume for the establishment of export industries. Here again there should be some qualification. After the end of World War I American capital was largely replacing

British investment in the Canadian development; and it is difficult to say to what extent the imperial preferences accelerated this replacement or to what extent it was a reflection of the shift in the world's financial centre, which was even then becoming evident and today is the dominant element from which so many of the world's present trade problems have emerged.

Some interesting parallels might be drawn between the operations of this Commonwealth trading group before the war and those of the sterling area today. If comparisons are drawn, one outstanding contrast will inevitably emerge. In those days Canada was an integral part of the Commonwealth trading *bloc*. On the agricultural side of the picture, the United Kingdom, following the Ottawa Imperial Conference, had established quotas for her purchase of foodstuffs allocated among different countries, and within these quotas Canada was assured of a very high priority in the British market. So far as anything could be said to stabilize during the depression years these were all stabilizing factors in the Canadian economy. Volumes of trade might be small but the channels were firm. The traditional London-Ottawa-Washington trade triangle on which the Canadian economy had been built was at its strongest. Canada could afford to buy in the United States with the assurance that she would be able to pay her bills, merely by converting the sterling available from her surplus of exports to Britain and other Commonwealth countries.

It is not the purpose of this article to enter any defence of imperial preferences. They assumed a system of high protective tariffs, and there are strong reasons for believing that so far as Canada is concerned they are outdated. A survey made by the Canadian Department of Trade and Commerce in preparation for the Geneva trade talks of 1947 showed that something less than one-third of Canada's trade with the Commonwealth was benefiting substantially by the preference margins. This survey was based on the long-term view, assuming, as it was reasonable to assume in the early part of 1947, that dollar shortages were a short-term embarrassment and that plans could be made in the reasonably near future on the basis of convertible currencies. In every Commonwealth market at the time when the survey was made, the commodities on which Canada was receiving any substantial benefit from preference margins were subject to drastic restrictions upon import. The list included such things as lumber, fresh apples, eggs, automobiles, electric appliances, refrigerators and electric stoves. Today, except for token shipments to the United Kingdom, the manufactured products are shut almost completely from the sterling markets. Exports of lumber and agricultural products have been reduced to a mere trickle.

Hopes and Frustrations of Geneva

FOR the other two-thirds of the export list the loss of the imperial preference would have been more than offset by the sort of low-tariff multi-lateral world trade envisaged at Geneva. Had the brave hopes and promises incorporated in the Geneva Agreement of 1947 been capable of fulfilment in 1950 Canadians would have been entering this new trade cycle in 1950 with more assurance than at any time in the previous twenty years. Under the

stimulus of war, industrial development had reached a stage where Canada was ready to compete in world markets on an equal footing, even with the United States. In many fields her costs were well below the American level, notably in such things as the production of farm implements and trucks. Eliminating the war years themselves, when exports of manufactured products had reached a peak of \$2,669 million, the sales abroad from her growing industrial plant had increased from \$365 million in 1933 to \$1,700 million in 1946.

Ironically enough the results of the Geneva Conference on world trade were announced in Canada two hours before the announcement of Canada's import-restriction program, made necessary by critical U.S. dollar shortages. It was a drastic reminder to Canadians that the trade triangle had collapsed and that they could no longer pay their bills in the United States by sales to Europe. There was no deficit in our over-all trading account, but Canada had stretched herself too far in lending more money than she had accumulated in her dollar bank account. The unexpectedly slow recovery in Europe had led to very rapid drawings by Britain on the credits extended the year before, and the only course open was to stop buying from the country in which Canada had been and was still a cash customer.

Concurrently with the import restrictions of 1947 came the suspension of credits to the United Kingdom, and there is little doubt that what has happened at the beginning of 1950 in Anglo-Canadian trade relations would have happened at the beginning of 1948 had it not been for the prospect and then the realization of Marshall Aid. The opening of this new source of credits available for purchases in Canada extended for two years the period during which Anglo-Canadian trade could continue on the old basis, governed by the same factors which had been in operation during and since the war. Dollars were provided for the purchase of Canadian wheat under the four-year Anglo-Canadian contract. Marshall Aid financed the purchase of bacon and other foodstuffs. The 1948 bacon contract committed the United Kingdom to the purchase of 190 million pounds of Canadian bacon, and deliveries were finally somewhat higher. This was rather a different picture from the one presented in 1944, when Canadian deliveries of bacon to Britain reached the record of 703 million pounds; but it was sufficient to absorb the exportable surplus and provide a floor price for the Canadian farmer. At this stage however, according to Mr. Gardiner, came the first inkling that the end of this era of Anglo-Canadian trade was in sight. British officials sent to Canada to negotiate the 1948 contracts made it plain that they were not at all anxious to buy anything in the way of foodstuffs except wheat and cheese. They were told by Mr. Gardiner that the wheat contract was regarded in Canada as part of an indivisible whole and that if they wanted wheat they must take bacon. In view of Britain's plight at the time this stand might have sounded a little ruthless without taking into account the inter-relationship of the various parts of the Canadian farm economy. The source of wheat was exclusively the western provinces. The hog producers were largely congregated in the central provinces. Wheat acreage in the west had been reduced in favor of coarse grains to feed the eastern hogs. There was and still is an

exact relationship between the price of a pound of bacon, and a bushel of barley and a bushel of wheat. All this was involved in the Gardiner stabilization program and to some extent bacon was the keystone of the arch.

It was inevitable, nevertheless, that the warning of 1948 should have been fulfilled within a very limited time. The productive capacity of traditional British sources for foodstuffs in sterling areas was coming back to normal. Taking bacon again as a symbol, the following table showing percentages of British imports is significant:

Sources of bacon imports to the United Kingdom

	Canada %	Denmark %	The Netherlands %
1938 . .	18.8	49	7.5
1945 . .	75.5	—	—
1948 . .	70.5	17.9	3.2
1949 . .	16	58.5	8

The 1949 figures are based on nine-month totals.

Decline of United Kingdom Purchases

WHILE there were very obvious problems on the horizon the year 1948 saw Canada reach a peacetime peak in export trade. In terms of dollars she sold to the world at large goods to the value of \$3,075,400,000, representing an increase of nearly four times her exports of 1938. In volume the increase was 1.7 times. She finished the year with an export surplus of \$473,100,000, a good part of which was in cold cash. Dollar reserves were substantially increased and she was able to resume credits to the United Kingdom in the beginning of 1949, an important factor in saving the food contracts for that year. Two aspects of this 1948 trade picture, however, should not be ignored. Exports to the United Kingdom totalled \$686,900,000, a drop of nearly \$70 million from the previous year and financed to the extent of about \$400 million by Marshall Aid. Exports to the United States at \$1,500 million had risen by about \$500 million. The shift in trade channels from the sterling to the dollar area was assuming significant proportions. To some extent this was merely following out the long-term development which geographic location makes inevitable. In 1916 the United Kingdom was taking 61 per cent of Canada's total export trade and other Empire countries 4.2 per cent. The United States was buying 27.1 per cent. In 1926 the two countries were sharing the trade almost equally, with the United Kingdom buying 36.4 per cent and the United States 36.3 per cent. In 1946 the United Kingdom purchases amounted to 27.1 per cent of Canada's total exports and the United States purchases to 38.4 per cent. But the figures for 1948, translated into percentages, mean that the United Kingdom purchases amounted to less than 22 per cent while the United States buying had risen to approximately 49 per cent. The final figures for 1949 are not available at time of writing. The total again is over \$3,000 million, and

the year will show a further substantial shift from export markets in the United Kingdom to those in the United States.

There are other aspects of the 1949 picture which tend to offset the force of the optimistic boast that Canada's exports have been maintained at the peak level. While the total will be approximately the same in terms of dollars the nature of these exports is less reassuring. A survey issued recently by the official Canadian Government statistical service shows that there has been a concentration of exports, limited to a few basic commodities which were regarded as essential and thus escaped the more general cut in purchasing from Canada, particularly in the sterling area. Figures on wheat exports to Britain accounted for about 10 per cent more of the total British purchases than in 1948 and were inflated by the fact that the United Kingdom was paying \$2 a bushel for Canadian wheat instead of \$1.55 a bushel. Newsprint exports to the United States were higher, and again in the latter part of the year were inflated by the fact that the price was maintained in terms of U.S. dollars and therefore 10 per cent higher in terms of Canadian dollars after devaluation. Base-metal exports have also bolstered the total, tending to hide the fact that, in a long list of manufactured goods, primary agricultural products and processed foods, markets have been lost to Canada as the two factors of dollar shortages and increasing productive capacity overseas have combined to draw the sterling area more and more within its own trading orbit.

If anything had been needed to bring home to Canadians the realization that their country was no longer part of a Commonwealth trading group it would have been accomplished in the days last summer preceding the Washington dollar talks when the critical dollar position of Britain as banker for the sterling *bloc* became apparent. Fears of a collapse of this conference between the leaders of the sterling and dollar trading worlds brought home forcibly the fact that if there were a separation Canada would be left unsupported in mid-air with little hope of reaching Heaven. Fortunately those fears were unrealized. The Washington Conference with its sequel of currency devaluation has brought the two worlds closer and sounded the most reassuring single note for the future of Canada's trade relations, which in the long run must again rest on the foundation of free multilateral trade.

To be sure, devaluation in itself has created some tough problems for the Canadian exporter. He is in a better position to export to the United States, even though markets there are becoming daily more competitive. By the same token he is going to find it more difficult than ever to sell overseas except in those types of goods where the higher-priced American product is the only competitor. This field is confined to manufactured goods and base metals, in which Canada is still supplying a world need. In agricultural products there are already signs that the United States may be preparing to dump surpluses, on which high subsidies have been paid to the farmer, at prices with which Canada cannot hope to compete. Meanwhile by some juggling of wheat purchases Canada has succeeded in salvaging a British contract for 60 million pounds of bacon and 85 million pounds of cheese with the prospect that these will be the last firm contracts to be signed between the

two Governments. The four-year wheat contract expires on July 31. It is obvious on the basis of common sense that Britain will be shopping elsewhere for her foodstuffs and neither needs nor wants the products of the Canadian farm in anything like the quantities shipped during the past ten years.

The Canadian economy is entering 1950 in an extremely strong position. National income is high. Employment is still at a satisfactory level and there are elements in the domestic economy which will tend to keep it there. Canadians are entering on a new era of development of natural resources and there is no lack of American capital ready to help in this development, which is of a nature as important to the world outside as it is to the domestic economy. Canadians themselves are absorbing more and more of their own production. Consumption of wheat and other foodstuffs has doubled in a period in which the Canadian population has increased by only a small percentage. During 1949 the domestic market absorbed a drop of \$40 million in export of automobiles without even shaking production levels. In addition to this she has become an important market to the exporter outside. Imports in 1948 totalled \$2,574 million of which \$1,806 million came from the United States and only \$300 million from the United Kingdom. In that same year she bought \$79 million in cotton fabrics and manufactured goods from the United States and \$29 million from Britain. Her purchases of rolling-mill products in steel were \$80 million in the United States and \$1,500,000 in the United Kingdom.

There is no question of Canada's readiness in the days ahead to buy more of these and other things from the United Kingdom and less from the United States. Both Government and private business are putting forth efforts to bring about such an adjustment, which is obviously in the interest of the Canadian economy, provided it paves the way for the re-opening to Canada of the United Kingdom and Commonwealth markets and the return by the United Kingdom to the practice of multilateralism.

Canada,
February 1950.

1 AUSTRALIA

RETURN OF THE LIBERALS

THE Privy Council has spoken* and, while declaring that, in the particular appeal before it, the High Court of Australia, which had found the Banking Act, 1947,† invalid, was the irreversible authority, has provided us *ob iter* with a most important exposition of that old source of controversy, sec. 92 of the Constitution. That section provides "that trade commerce and intercourse . . . among the States shall be absolutely free". In expounding this section in its application to the present appeal, the judgment appears to have established the following major propositions:

- (a) The business of banking is included among those activities described as "trade commerce and intercourse", and in so far as it is carried on by means of inter-State transactions is within the ambit of the section.
- (b) The section is concerned only with those legislative or executive acts which "operate to restrict trade commerce and intercourse directly and immediately as distinct from creating some indirect or consequential impediment which may fairly be regarded as remote".
- (c) Restrictions which in their true nature are regulatory of inter-State trade commerce and intercourse are compatible with the absolute freedom guaranteed by the section.

Holding that sec. 46 of the Banking Act directly and immediately authorized the prohibition of private banking, and that it was mere prohibition and not of a regulatory character, the Privy Council concluded that it violated sec. 92. From the tests laid down by the Privy Council it would appear that for the future the fate of legislation challenged as conceivably offending sec. 92 will depend on whether its effect is directly and immediately—or only remotely and consequentially—to restrict inter-State trade, and, if directly and immediately, whether it should be regarded as of a regulatory character. Such general tests promise a rich harvest for the constitutional lawyer, since the Privy Council says: "In determining whether a restriction is direct or only remote and incidental, there cannot fail to be differences of opinion. The problem to be solved will often be not so much legal as political, social or economic; yet it must be solved by a Court of law."

The judgment of the Privy Council, whilst affirming the decision of the High Court that bank nationalization cannot be achieved by direct prohibition of private banking, has left open the question whether the same result

* Judgment was delivered on October 26. See THE ROUND TABLE, No. 157, Dec. 1949, pp. 36-41.

† A detailed account of the Act was given *ibid.*, March 1948, pp. 608 *et seq.*

may not be achieved by some alternative method: for example, through the compulsory acquisition of the shares or assets of the private banks; or through more stringent controls exercised by the Government under the Banking Act, 1945, resulting, perhaps by stages, in rendering private banking impracticable. Would legislation or executive action designed to bring about nationalization by these means be treated as operating "directly" or only "remotely and incidentally" to restrict guaranteed freedom?

Although legislation directly prohibiting private banking must now be regarded as unconstitutional, the possibility of excluding competition by private enterprise in other fields—e.g. broadcasting or television—so as to create a governmental monopoly has been left open. For the judgment says:

Their Lordships do not intend to lay it down that in no circumstances could the exclusion of competition so as to create a monopoly either in a State or Commonwealth agency or in some other body be justified. Every case must be judged on its own facts and in its own setting of time and circumstances, and it may be that in regard to some economic activities and at some stage of social development it might be maintained that prohibition with a view to State monopoly was the only practical and reasonable manner of regulation and that inter-State trade commerce and intercourse thus prohibited and thus monopolized remained absolutely free.

Section 92 applies to Commonwealth and State Parliaments alike. What it prohibits is therefore beyond the power of any Australian legislature, singly or in combination, to accomplish. The judgment emphasizes that there are no tests which can be applied mechanically to determine whether legislation violates the constitutional guarantee of freedom for inter-State trade—an empirical approach involving a process of social judgment must be adopted. The implication of the Banking decision will have to be worked out by the High Court in the next decade or so. The final words of the judgment, indicating the scope for differing opinion, have already been quoted in *THE ROUND TABLE*,* but will certainly bear repetition:

It appears to Their Lordships that if these two tests are applied: first, whether the effect of the Act is in a particular respect direct or remote; and secondly, whether in its true character it is regulatory, the area of dispute may be considerably narrower. It is beyond hope that it should be eliminated.

Devaluation

SOON after Sir Stafford Cripps's statement, on September 15, of the British Government's decision to devalue sterling against the dollar, the Australian Prime Minister announced that the Australian pound would also be devalued against the dollar, in the same proportion, so that the existing exchange rate on sterling should remain at £A125 to £100 sterling. It had remained unaltered since December 3, 1931. Before 1930 the Australian pound was at par with sterling, but with the onset of the depression it was depreciated in order to help offset the difference that was found to exist between Australian and British prices and costs. During the war, however, this discrepancy between

* *Loc. cit.*, p. 39.

Australian and British prices probably disappeared. In these circumstances speculation arose concerning the desirability of appreciating the Australian pound so that it would again stand at par with sterling. However, no action was taken and, even when Australia joined the International Monetary Fund in August 1947, the exchange rate was left unaltered.

One reason for the late Government's decision to leave things alone in the immediate post-war years was no doubt their fear of possible political repercussions. Any appreciation of the Australian pound against sterling would have reduced primary producers' incomes (in Australian currency); and consequent loss of the support of primary producers in several precariously held electorates might have resulted in defeat of the Labour party at the general election in September 1946. Another reason was the fear of a depression, which seemed to animate some leading members of the Labour Government and their economic advisers. The rise in prices overseas, and particularly in America after the abolition of price control there, was thought to be temporary and to be liable to a sudden and early reversal. Once this supposedly inevitable post-war depression materialized, prices could be expected to fall so much overseas that the index numbers would again be generally lower than in Australia.

In the meantime Australian prices themselves began to rise, as recorded in previous issues of *THE ROUND TABLE*. By 1948 this increase had become an additional excuse for leaving the exchange rate unaltered; but some of the increase in prices might have been avoided had the Australian pound been appreciated soon after the war. It may not have been deliberate government policy to permit intense inflation rather than to appreciate the exchange rate, but that has been the drift of events. The whole issue was brought into the limelight when the New Zealand pound was appreciated in August 1948. Mr. Chifley then declared that he would not consider appreciating the Australian pound unless sterling was devalued.

Finance and the General Election

THE imminence of a Federal Election was no doubt partly responsible for the decision to devalue the Australian pound so as not to alter the exchange rate against sterling. Suggestions were not lacking that the Government would reconsider its decision if it were elected. This Mr. Chifley vigorously denied. Speaking during his election campaign he declared that his Government's decision was reached solely on economic considerations and would not be reconsidered unless economic circumstances changed. It may be observed that during the election campaign no party advocated appreciation.

The economic consideration which probably weighed most heavily with the Government in reaching its decision was the accumulating evidence that prices of primary products had already begun to move downwards on the world markets. A second economic consideration is the danger that appreciation would adversely affect Australian secondary industries. Finally, the maintenance of the existing exchange rate with sterling has given the Australian gold-mining industry the full benefit of devaluation. The price of gold in Australian currency has risen from £10. 15s. 3d. to £15. 9s. 10d. per

fine ounce. The increase in production which can now be expected may contribute towards the solution of our dollar problem.

Expectations that the 1949 Federal General Election would arouse quite exceptional public interest were fully borne out; and the sustained intensity of the campaigning until polling day (December 10) was matched by the dramatic quality of the results as they revealed themselves that night. There was striking revival of the old-time phenomenon of great political meetings, especially where addressed by the party leaders Mr. Chifley, Mr. Menzies and Mr. Fadden—who travelled great distances by air so as to make personal contact with electors all over Australia.

As in all elections there was, on either side, a solid mass of the faithful; and it was, therefore—but very peculiarly on this occasion—the “swinging” vote that gave expression to the change in public opinion. A transformation overnight from 40 per cent minority, in the House of Representatives, to a 60 per cent majority needs explanation. It means, first, that the swing of opinion was Australia-wide, however it might vary in magnitude from State to State; and, in fact, there is now a majority of members against Labour from every State.* But it means also that the problematic factor of redistribution—on a large scale—had had an affect which was by no means fully anticipated.

The Representation Act, 1948, had provided for an increase of Parliament in numbers, in order to keep step with the great increase of population since federation (from 3½ million in 1901 to 7½ million in 1947). An increase in the House of Representatives (where increase was most urgently necessary) is circumscribed by the constitutional provisions for the Senate.† It was therefore agreed to increase—from 6 to 10—the number of senators from each of the States, thereby enabling an increase from 74 to 121 to be made in the number of ordinary electorates for the House.‡ In this redistribution the number of electors per constituency is of the order of 40,000 (with certain special exceptions).§ As 18 members of the old Senate (3 per State) have still 3 years to serve, only 42 (7 per State) have been elected on this occasion (of whom 12 will vacate their places after 3 years).

Members seeking re-election were, generally speaking, able to obtain endorsement as candidates for seats regarded as “safe”; hence the swing became apparent mainly in the large number of constituencies where there were no such candidates; but, even so, 11 Labour members lost their seats—including 4 members of the late Ministry—while no sitting Liberal or Country mem-

* Detailed figures are given on p. 181.

† Sec. 7 of the Constitution of the Commonwealth of Australia provides for equal numbers (at least 6) of senators from each of the six States, “chosen for a term of six years”; sec. 13 provides for election of half the number every three years (an important relevant detail). Sec. 24 provides that the number of members of the House “shall be, as nearly as practicable, twice the number of senators”—distributed on a population basis, but with the stipulation that “five members at least” shall be chosen for each State. (In the redistribution, Tasmania is the only State remaining at this minimum.)

‡ There are, besides, two special electorates with restricted rights. (One such in the old Parliament.)

§ The numbers of constituencies in the several States are: N.S.W. 47 (28), Victoria 33 (20), Queensland 18 (10), South Australia 10 (6), Western Australia 8 (5), Tasmania 5 (5): original numbers in brackets.

bers lost theirs. The election was to such an extent a straight-out tussle between Labour and its two officially allied opponents* that neither the Communist party nor any of the "splinter" parties, nor any Independent, won a seat.

The Opposing Cases

IN the election campaign Labour's case was not skilfully handled. Positively, it rested on two supports: on the record of the Labour Government in eight (war and post-war) years of office; and on what came to be called "the Chifley legend" (or "tradition"). Negatively, it consisted of attack on alleged past failure and disunity of the allied opposing parties—back, through the 1939-41 administrations of Mr. Menzies and Mr. Fadden, to the depression years around 1930. Of the positive case more could have been made if it had been expressed less statistically (by Mr. Chifley himself), and if its exponents had seemed less pleased with themselves—at a time when, as it proved, the public was by no means so well pleased and was, in fact, in a highly critical mood, following upon its unhappy post-war experiences of scarcities and privation, which culminated in the grave troubles incidental to the coal strike; also, if there had been less foolish "build up" of a man himself plain and unassuming in his capable and forceful parliamentary leadership. The negative case was overdone for a public not specially noted for long memory; but, because of that very characteristic, it could conveniently ignore both the ambiguities of the depression and the thinly veiled dissensions within the Labour party itself—about which Mr. Chifley had had to speak in very blunt terms when he succeeded to the leadership in 1945.†

On the other hand, the Opposition parties, whose representatives had been smarting for years under the stultification of parliamentary government by the steam-roller action of the Labour party-machine, appear to have found compensation in very thorough preparation of their case—with which, primarily, to brief a master in the art of advocacy (the present Prime Minister of Australia). This case was focused on the Socialist "objective" of the Labour party, viz. "The socialization of industry, production, distribution and exchange": probed in the light of recent legislative (and other) action of the Commonwealth Government. "The Joint Opposition Policy, 1949",‡ set out in full detail both the proposed counter-action (as e.g. on banking, petrol rationing, civil aviation, health and social services, shipping), and more positive policy (e.g. on Communism, development, taxation, foreign policy, defence). All this, of course, assumes greatly added importance in view of the verdict at the polls, and will no doubt come up for detailed consideration in future articles. Petrol, because of its immense importance to primary in-

* Characterized here by the general titles "Liberal" and "Country"; but the actual terminology in the several States is at present chaotic—see THE ROUND TABLE, Sept. 1947, No. 148, p. 398.

† *Ibid.*, Dec. 1945, No. 141, p. 67.

‡ On which was based the policy speech of the Leader of the Opposition: delivered in his own electorate on November 10 and printed along with "Supplementary Statements" under the above title. In what follows, quotations where not otherwise identified are from this manifesto.

dustry—especially in a country of “vast area, distances and needs”—loomed large in the case as presented by the Country party; and no doubt had much to do with the triumph of the Opposition parties in Queensland and the other States of wide spaces.

Both sides made much play with the slogan “Full Employment”; but neither succeeded in making clear just how this admirable objective (as distinct from adequate insurance against casual unemployment) is to be directly achieved, in normal times, in a free and fluid national economy.

The attack on the socialist objective found a vulnerable place in Labour's armour, for which no adequate protection was forthcoming. In the course of the campaign a somewhat extraordinary situation within the Labour movement gradually became evident to the attentive public. The objective (as quoted above) has remained so formulated since 1921; but even then there was an almost irreconcilable cleavage of interpretation between right and left, which is—if anything—even wider to-day. On the eve of the election campaign (on October 3) the Federal Executive of the A.L.P. decided to declare that a certain “1921 Congress Declaration . . . still stands”. It was used by Mr. Chifley (as reported by the press) in the following abridged form: “if a public utility, essential to the welfare of the people, was not being used efficiently or to the best effect in the public interest, or if it was being used for purposes of exploitation, it should be placed under national control”. This “watered down” objective obviously begs a number of questions—on which opinion would violently differ (as, for instance, in the crucial case of bank nationalization); and the quick-witted opposing leader (in answer to a question) countered by stating (as reported) that “the Opposition parties stood clearly for freedom for the people, and for industry to expand and increase its production; but, if it could be shown that a monopoly industry was exploiting the Australian people, he as leader of the non-socialist parties would not hesitate to socialize it tomorrow morning!” Mr. Chifley did his best to drive this as a wedge between his two leading opponents, but the fact is that the Achilles heel had been pierced—by the arrow of public opposition to bank nationalization (on which Labour spoke with several voices—none really convincing).* “The Australian Labour Party is still predominantly a trade-union party; the majority of its members are not socialists . . .”† Its opponents had struck it in the vulnerable place; and the result, skilfully pursued, was almost inevitable. The issue of Communism was not, for campaign purposes, essentially different: an issue on which the trade-union movement in Australia (as elsewhere) is deeply divided.‡ The Labour Government had avoided—and used smooth phrases about—this issue, until driven by dire circumstance to take drastic action in a particularly bad case. On the other hand, “the Opposition asked for a Royal Commission, which was contemp-

* One of these, ominous, however (from Mr. Chifley himself), about “virile” and “vigorous” competition, with the trading banks, by the Commonwealth Bank—from its position of special privilege in the matter of trading risks.

† THE ROUND TABLE, Dec. 1946, No. 145, p. 90. That whole article (but especially pp. 84 and 89-91) is relevant.

‡ *Ibid.*, Sept. 1949, No. 156, pp. 376-82; and Dec. 1949, No. 157, pp. 81-5.

tuously refused"; and, as the new government, it is pledged to "outlaw" Communism, "as an alien and destructive pest".

The views of the common man—which swayed fortunes in this election—may be summed up in words from a reported interview with the world ex-champion cyclist, Opperman, who had yet another spectacular win (of a different kind!) against a senior Minister (Mr. Dedman, the Minister for Post-War Reconstruction, &c.). He told of his awakening, as a business man, to "fears that a State monopoly was developing which threatened individual rights established at great cost over hundreds of years"; he wants "to help correct the nation's trend towards regimentation"; and he remarked that "Australians did their best when they weren't shoved around". The Minister's exhibition of temper at the declaration of that poll (Corio, Victoria) epitomized what the public has been increasingly resenting; and what the Minister's opponents have described with telling effect as the over-weening arrogance of socialistic leaders in power who claim to know better than we ourselves what is good for us. The new Prime Minister (Mr. R. G. Menzies) struck no truer note in his powerful campaigning than when he defined the supreme issue as whether the people were the masters of the Government or the Government the masters of the people.

The detailed results for the House of Representatives are as follows:

	<i>Liberal</i>	<i>Country Party</i>	<i>Labour</i>
New South Wales. . .	16	8	23
Victoria . . .	17	3	13
Queensland . . .	9	6	3
South Australia . .	6*	..	4
Western Australia .	2	3	3
Tasmania . . .	4*	..	1
<i>Totals</i> . . .	54	20	47
	20		
Coalition Total . .	74		

* Combined Liberal and Country Party.

Senators are now elected by a form of Proportional Representation. There were confusingly large numbers of candidates (more or less grouped) in each of the six State-electoraltes. Progress counting indicates a majority (4 to 3) for the Coalition in each State except South Australia (where the result will be 3 to 4). With the sitting members (Labour 15, Coalition 3) this will mean a Senate of 34 Labour, 26 Coalition for the next three years. The proportion of the first preference votes is roughly Coalition 51 per cent, Labour 46 per cent (other candidates 3 per cent).

Australia,
January 1950.

SOUTH AFRICA

THE SCENE ON THE EVE OF THE SESSION

ON December 16 (Dingaan's Day) almost a tenth of the European population of the Union gathered about the slopes of Monument Koppie to do homage to the memory of the Voortrekkers. This vast throng of people had assembled from all parts of the country, drawn together in a spirit of pride in and reverence for the great pioneers of the last century, whose courage, hardihood and simple faith constitute an inspiration to modern Afrikanerdom. They came wearing the costumes of their forefathers, singing the old songs and hymns, dancing the old dances. It was a great and deeply moving festival, and although, with one brief exception, only the Afrikaans language was spoken, such was the generous and good-hearted spirit which prevailed throughout that it has been hailed on all sides as marking a new advance towards unity and understanding between the two sections of the European community. Alas, this view is to some extent tinged with wishful thinking. It is true that some of the extremists in the present Government party who had hoped for a great manifestation of strength on the part of their particular brand of narrow Afrikaner nationalism were disappointed. Sectional politics were not to the fore, and the utmost tact and friendliness were shown to English-speaking visitors. On the other hand, it is much to be questioned whether these celebrations really bore witness to the growth of a truly united South African nation, or whether we are really moving so rapidly in this direction as was hoped at the time of Union. Dr. Jansen, the present Minister of Native Affairs, spoke with realism as well as with sincerity when he said:

If unity means that the one section must absorb the other, then the question arises immediately which section must be absorbed. Which language must disappear? As far as we Afrikaners, formerly known as Boers, are concerned, I can say with the greatest open-heartedness that we refuse to be absorbed. I have no doubt that English-speaking Afrikaners on their part will adopt exactly the same attitude. . . .

It may be that in the course of generations the two national groups will become one by assimilation, but for the present I cannot see how this can happen. We are still too close to the history of the past to view such a possibility with complacency. Accordingly, I believe in a unity notwithstanding variety. Why can we not be one in action, even though we differ in language, tradition, history and character?

Those who have dreamed of a South African nationhood, fused out of diverse nationalities on the American pattern, should ponder well these words. The trend to-day is not towards fusion, but towards a kind of parallelism. As the bitter past fades from memory and bilingualism grows, we shall, without doubt, advance in friendship, mutual understanding and the desire to co-operate, but it seems likely that for many a year we shall still refer to

English-speaking and Afrikaans-speaking South Africans, and that this distinction will denote a contrast between peoples who, though they have many sentiments and aspirations in common, are yet held apart by the differences in their history and their heritage.

Hesitations about *Apartheid*

ANOTHER recent event of importance is the abandonment, at least for the coming Parliamentary Session, of the Government's plan for abolishing the Cape Native franchise, and for removing Cape Coloured voters from the common roll in exchange for special White representation in Parliament on a separate roll. These measures have at all times been an important element in the Nationalist party's *apartheid* programme and, as recently as last September, Dr. Malan himself offered them to the Transvaal Nationalist Congress at Johannesburg as measures that would definitely be introduced at the first opportunity. On the other hand, Mr. Havenga made it clear long ago that he would not support drastic alterations in the Native and Coloured franchise by a bare parliamentary majority, "without due regard to a clear-cut expression of the will of the people". It has seemed possible for some time that this radical conflict between the Nationalist and Afrikaner parties could only be resolved by a dissolution of Parliament, but in the end Dr. Malan climbed down and both proposals have been placed in cold storage, like the proclamation of a Republic. They will, no doubt, be revived if the Nationalists win all six seats in the South-West African elections, which might well give them a majority independent of the Afrikaner party, but this appears at present to be most unlikely.

The remaining *apartheid* measures immediately contemplated are of less importance. It is proposed to abolish the Natives' Representative Council established by General Hertzog's legislation in 1936 and to substitute for the Native Affairs Commission, which was set up by the Native Affairs Act of 1920, a "body of experts" to advise the Government. The Representative Council, it is true, virtually ceased to function some years ago. Even in General Smuts's time fairly comprehensive reforms of the means by which the native peoples could express their desires were felt to be necessary. Yet the abrupt administrative termination of the Council's meetings and the lack of any proposals for an alternative method of consultation have shocked native opinion. The Native Affairs Commission, on the other hand, has done good work, but as it had no executive function there is no reason to suppose that the "advice" of the new body will be any less effective.

Another instance of the widening gap may be recalled. Recently, the overwhelming majority of the Coloured Advisory Council resigned. It is improbable that other adequately representative Coloured men will be found to fill the vacant places. This Council was a non-statutory body formed in 1943; it was created by the Smuts Government to enable the Government to keep in touch with Coloured opinion. Its disappearance, together with the fate of the Natives' Representative Council, suggests that it will in future be more and more difficult to meet the political aspirations of the non-Europeans by *ad hoc* bodies constituted on racial lines.

The Minister of the Interior can expect heavy weather for his measure compelling everybody, no matter what his or her colour, to possess an identity card. Much could be said for this proposal in a general way. It would help the administration of justice and would be of some statistical value. But it may without unfairness be suggested that Dr. Donges's main object is to separate once and for all the Coloureds from the Whites. This will rouse great indignation in a country where there are thousands of border-line cases, and will be bitterly opposed in Parliament. Indeed, many of the Minister's own supporters strongly object to the idea of carrying "passes" on the ground that it reduces them to the level of natives.

The *apartheid* measures so far dealt with are measures of repression. Of positive proposals for the uplift of natives and Coloureds there is still no sign. At the Cape Nationalist Congress held at Paarl in September Dr. Malan said, in response to a question, that "it would be fatal if we emphasized only the negative side and forgot the positive", adding that it was the intention of the Government, especially during the coming session of Parliament, to proceed on lines making the positive and negative sides go *pari passu*. But he deputed to Dr. Donges the task of explaining what positive measures he had in mind, and that usually versatile Minister could think of nothing more concrete than better housing and possibly more governmental jobs for the Coloured people, and some vague safeguard for them against unfair competition by natives. The natives themselves were afforded no glimpse of the other side of the *apartheid* coin.

The Government has been attacked from two unexpected directions on this score. The O.B. (organ of the Ossewa Brandwag, which is now in alliance with the Afrikaner party) contended that:

the solution of the problem cannot be found in the introduction of *apartheid* in post-offices or at stations—it lies in the possibilities for development which are offered to the non-European in his own territory which create confidence and arouse in him a desire to co-operate.

Mr. Pirow, the "New Order" leader, in his *News Letter* was even more outspoken:

We know about the things that the non-European may not do, but what about the things which he may well do, and which we shall help him to carry out? Or is *apartheid* advantageous only for the white man? . . . The Government may have a positive, and not merely a negative *apartheid* policy, but if that is so we—and with us the mass of the Union's population—are entirely ignorant of its character.

The lamentable truth is that no positive side of *apartheid* has seen the light of day, and the Nationalist party hesitates to risk unpopularity by bringing it into the open.

Prospects for the Session

MR. HAVENGA'S successful and commendable obstinacy has thrown the government programme into some confusion. So far there is little to replace the two major measures which were to have occupied the bulk of the coming session. A Bill to abolish appeals to the Privy Council is not

likely to evoke much opposition, because this right of appeal has not been exercised for a number of years and Canada has recently given a lead. A small body of opinion, however, would like to see it retained for the decision of purely constitutional questions, especially if on such rare occasions the body of judges included the Chief Justices of all the Dominions or their deputies. The Speech from the Throne further announces a Bill to combat Communism and a Bill providing for the extension to the Cape of the Natal and Transvaal restrictions on land purchase by Indians.

The Prime Minister has also decided to raise the question of the absorption of the High Commission Territories—Basutoland, Swaziland and the Bechuanaland Protectorate.* In terms of the Act of Union this question can be raised at any time by an address to the King from both Houses of Parliament. General Hertzog conducted preliminary negotiations in 1935 and again in 1937 without success, the British Government taking up the position that the natives must be consulted and that Parliament must approve. Both conditions are as likely to raise difficulties to-day as they were then. The natives are hotly opposed and no British Parliament would be likely to agree without the consent of the natives. The position of these territories, anomalous as it undoubtedly is, cannot be altered by a wave of the wand. Nor does Dr. Malan's approach improve the outlook. In contending that "it is unheard of that in a sovereign independent country such as the Union there should be territories which are under the authority of an external Power" he lays himself open to the retort that other instances can be quoted. His ill-tempered attack upon Southern Rhodesia for taking an interest in the Bechuanaland Protectorate also misses the mark. The Schedule to the Act of Union does not state or suggest that the Union alone has a right to incorporate the Protectorates. The statement by the Minister of Defence (Mr. Erasmus) that it is difficult to organize South African defence adequately while these territories belong to Britain was not taken seriously.

The Union has a case for the incorporation of Basutoland and Swaziland. On the assumption that the terms of the Schedule are strictly adhered to, certain vital native interests would be safeguarded. But the natives cannot be blamed for feeling suspicious of a Government which, in dealing with its own native population, persistently acts on repressive lines.

The financial position has shown steady improvement since devaluation took effect in September. On September 16 the gold and sterling reserves held by the Reserve Bank amounted to £50 million. To-day they stand at nearly £100 million, of which the appreciation of gold accounts for £14 million. This means that foreign exchange has been accumulating at the rate of £10 million a month. Much of this is due to savings resulting from import control, but it is clear that new capital is coming in at the rate of nearly £3 million a month; largely for the purchase of gold-mining shares. This is encouraging. But Union finances are still in a parlous state, and the restrictions on imports are likely to be increased soon by petrol rationing, though some relaxation in other directions is foreshadowed. Furthermore, both the Minister of Finance and the Minister of Railways are faced with great financial

* See also *A Trust in Africa*, p. 121.

difficulties, and unemployment, while not serious at present, may well increase as existing stocks of goods disappear and cannot be replaced. So far the impact upon the consumer has been comparatively small.

South-West Africa

INTEREST in the proceedings of UNO has languished since it became evident that the Union had become a mere target for abuse. Even the decision of the Trusteeship Committee in December to hear the Rev. Michael Scott as an individual prosecuting counsel without serious investigation of his credentials caused little stir, and the Committee's subsequent resolution referring the legal aspect of the South-West Africa question to the International Court of Justice passed almost unnoticed. In part, this lack of interest is due to a belief that the Union's position under the original mandate is unassailable. Three years ago General Smuts offered to refer to the International Court the question whether the General Assembly was entitled to interfere between the Union Government and its Indian subjects. That offer was not accepted. The present reference does at least point to a saner outlook. The Trusteeship Committee no longer sets itself up as a final arbiter in disputes and the precedent thus set may save the Assembly from the emotional excesses that have marred its past.

Mr. Jooste conducted the Union's case with an ability and restraint that were in marked contrast to the wild and often baseless charges retailed by Mr. Scott. By an unfortunate looseness of language the latter actually managed at one stage to create an impression that so far as the Hereros are concerned there has been little to choose between the Germans and the Union. It may be worth while to record here that while this tribe was reduced by the Germans, according to their own figures, from 80,000 in 1904 to 15,000 in 1911, its numbers had risen again to nearly 33,000 in 1944, in spite of a low birth-rate. The only grievance of the Hereros against the Union Government is that they have not recovered the complete freedom they enjoyed before the Germans came. A proud and haughty race, they refuse to recognize that the good old days have passed when

He should take, that hath the power
And he should keep who can.

While the natives of southern Africa as a whole have made good progress in civilization, the fact remains that in some parts the outlook is as primitive as ever. This is shockingly revealed by the figures of "ritual murders" in Basutoland. In seven years the police have found 293 mutilated bodies. Most of these crimes have gone undetected, but 121 Basutos have been convicted and 72 acquitted. This year eight culprits have been executed and another six condemned to imprisonment. A very disturbing feature is the number of chiefs and headmen who have presided over these revolting ceremonies. The distinguished anthropologist appointed by the British Government to conduct an enquiry into the causes has an unenviable task.

South Africa,
January 1950.

NEW ZEALAND

FALL OF THE LABOUR GOVERNMENT

THE 28th Parliament came to an end late in October, leaving some five weeks before polling day, November 30. In this Parliament the 76 European seats were divided equally between Labour and National; the four Maori members were Labour, but Mr. Ratana (Western Maori) died just before the end of the session. For the 76 European seats there were 178 candidates; every seat was contested by the two main parties and in 59 electorates there were straight contests between them. Sixteen Communist candidates were nominated, but, as in nearly all cases they were contesting constituencies in which Labour had had large majorities at the previous election, their presence was not likely to affect the results.

On the European electoral rolls there were 30,000 more names than in 1946 and there were signs of a drift of population from the central city areas. For the first time there were rolls for the Maori elections. The fact that in 1946 some of the seats had been won with narrow majorities—16 majorities were less than 500, and of these 5 were under 200 and 3 under 100—added interest to the election. This was increased by the relative equality of the parties in the House and by the larger electoral rolls.

Party Methods and Policies

NEW ZEALAND is now familiar with the pattern of party methods in elections. The leaders (Mr. P. Fraser and Mr. S. G. Holland) and other prominent members of each party spoke in different parts of the Dominion. Many broadcast addresses were given, being on the whole equally divided between the two parties, but the Opposition strongly objected to the action of the Prime Minister in reserving the air to himself for the night before the poll. Though this had occurred in 1946 it was contrary to the practice at earlier elections, when both leaders were allowed an equal time on the eve of the voting. The Communists also resented the fact that they were denied any opportunity of broadcasting. In their leading articles most newspapers were solidly behind the National party, but in reporting political meetings they gave equal space to each party.

On the whole the election was dull. There was general agreement on this. The audiences were mostly composed of those who supported the speakers; the great middle body of voters seemed content to read the newspapers and to listen to the broadcasts. Even on polling day there was little excitement in the streets, and in the evening little more, for the papers did not have result-boards which had been the centre of attraction at elections in the past. There can be little doubt that broadcasting has robbed political elections of much of their vitality, robustness and glamour. Therefore election meetings did not provide a useful guide to the results.

After the 1938 election THE ROUND TABLE* said: "The general policy of social amelioration is not likely to be an issue at any future election. The pace at which the policy can be most safely implemented and the methods that are most likely to bring about the desired changes without producing economic and social instability, these are questions on which there may well be differences of opinion. It is probable that in the future political parties will struggle not over the aim but over the means." This forecast proved true; each party was at great pains to announce its aim as the welfare of all the people. The only fundamental issue at the election was whether this result could be best obtained by socialism or by private enterprise. The leader of the Opposition (Mr. S. G. Holland) is reported thus: "He said that on the one hand Labour hoisted the flag of ultimate socialism, which would eventually bring all production, distribution and exchange under the domination of the State, while the National Party stood for private ownership, holding that the less the State interfered the better for the people."

But the world situation in regard to Marxism and Communism caused the Labour party no longer to lay stress on its objectives of "the State ownership of the means of production, distribution and exchange", what had been called "ultimate socialism". It stood for what is now described as the "welfare State", and, perhaps naturally enough, made the most of its achievements in the past fourteen years. Not only were these put on record, but the Prime Minister, particularly, had one foot in the slump of the 'thirties and one eye on the corner round which he expected another slump might be coming. He desired to frighten the electors by reminding them of the evil days of the past—for which he placed the responsibility on the National party (only one or two of whom were in Parliament at that time)—and by pointing out the possibility of another slump that the National party would be sure to mishandle at the expense of the people. He said: "The people of the Dominion would have to decide at the coming election whether the Government, which brought the country from slump conditions to one of the foremost positions in the world, would be returned or others who would mishandle and mismanage affairs in the same misguided way as the last National Government did." Naturally the Opposition refused to admit that it was in any sense the cause of the depression and made a determined effort to take an optimistic view of the future of the country under its direction. It therefore did everything it could to assure electors that none of the benefits they now received would be taken from them. Pledges to this effect were lightly—perhaps too lightly—given, and the electors were asked to realize that with a National Government the people would have a happier and more prosperous future than under Labour, which had run out of ideas, optimism and initiative.

The Labour party seemed content to present its achievements and to say with the Prime Minister, "Anything they can do we can do better." "The issue of this election is whether the people wish to progress with the policy, established by Labour, of assured welfare for all, or whether they wish to turn back to the system in which human values meant little and blind

* THE ROUND TABLE, No. 114, March 1939, p. 337.

economic forces were given free play." Obviously an Opposition had to be more positive than this; indeed, Labour almost forced the initiative into the hands of the Opposition, which admitted that in certain spheres there must be State action, but argued that these should be as few as possible and that the community should rely for effective control on free competition. To this end it proposed to hand over the marketing of primary products to boards on which the producers would have a majority, to remove the Reserve Bank from political control, to place National Airways under a corporation in which there would be private as well as public capital, gradually to remove import control restrictions and price controls, to end the monopoly of the State in accident compensation insurance, to modify the Servicemen's Settlement and Land Sales Act by giving current values for properties—in the case of ex-servicemen the State paying the difference between the current value and that of 1942—and by placing outside the operation of the Act building sections, commercial properties, residences over the value of £3,000 and other properties under £750. The party also criticized Labour's policy of inflation and the high cost of living with its depressing effects on the family, the shortages of goods in common use, the continuation of high war taxation, the losses in State enterprise, the extension of nationalization and the great increase in the Sales Tax (£2,100,000 in 1935 to £15,900,000 in 1948).

In the political sphere the party proposed to see whether some form of written constitution might be desirable to prevent sudden abuse of power, to end the Legislative Council in its present form, to ensure that industrial workers are required to have secret ballots (conducted by the Electoral Department) on the questions of voluntary or compulsory unionism, strikes and election of trade-union officials. It also proposed to prohibit trade unions from making compulsory levies for political purposes. The Electoral Act would be amended by restoring total population (not adult population) as the basis for determining the boundaries of electorates.*

Defeat of the Government

THE results of the election, compared with those of previous elections, may be gathered from the following table:

	Labour		National		Other		% Voting
	Votes	Seats	Votes	Seats	Votes	Seats	
1938	494,425	54	356,051	24	34,815	2	92.85
1943	438,919	45	397,889	34	96,020	1	82.82†
1946	536,798	42	507,043	38	3,070	0	93.46
1949	506,073	34	556,805	46	10,182	0	93.54

Note: The total Communist vote was 3,499 and all candidates of the party lost their deposits. It is clear that only candidates of the main parties had a chance of election.

Though the Labour majorities in the four Maori constituencies were smaller than in 1946, no seat was lost and Mrs. Ratana (widow of the late M.P.) became the first Maori woman to win a seat in Parliament. Labour made

* THE ROUND TABLE, No. 142, March 1946, p. 201.

† Adjustment for votes of servicemen not made.

what use it could of its success in the Maori elections which took place the day before the European election and the results of which were broadcast in the Prime Minister's appeal on the eve of the European poll. But in all but very few constituencies the majorities of the winning Nationalist candidates were greater, and those of the successful Labour candidates smaller, than in 1946. Two Ministers—Mr. Nordmeyer (Industries and Commerce) and Mr. Cullen (Agriculture)—were defeated. In six other electorates previously held by Labour the National party was successful and it lost none of the seats it held in the old Parliament. The new House will divide thus: National 46; Labour 34, which will give the new Prime Minister (Mr. S. G. Holland) a good working majority.

On the eve of the election Mr. Fraser's broadcast was not a happy one; he was much below the standard that one expects of a Prime Minister. But on the night of the declaration of the poll as the head of a defeated Government, he did himself, his party and the country credit. That the defeat was a severe blow to him who can doubt? But accepting the free vote of the people he faced their decision with courage, good temper and high statesmanship.

For the victor the occasion was more pleasant but not altogether easy; he accepted the decision not only with pleasure but with humility.

Causes of Labour's Defeat

WHAT were the causes of the defeat of the Government? There will be many different answers to this question. It must be remembered that the majority Labour held in Parliament had been steadily decreasing in successive elections. Doubtless the abolition of the "country quota"* for the 1946 election had some influence in favour of Labour, but not so much as was expected. It may be said—indeed it already has been said—that the issue at this election was clear-cut and that the vote is in favour of private enterprise and against socialism. It is doubtful if many people vote on a general principle of this kind. No doubt votes were influenced by the contrast, but this is not the first time that has happened. The factors that swung the mid-body of voters were probably many, but some of them may be safely guessed.

In this election Labour had no new battle-cry; it rested on its past achievements. There was a lack of imagination for the future, of vitality, of initiative. Mr. McKeen, the Speaker in the outgoing Parliament, clearly expressed this attitude when he said, "Labour's task is to defend its gains". This negative attitude arouses no emotions, stimulates no enthusiasms. Labour used to chide their opponents on being the "Old Gang", but this time the boot was on the other foot; younger Labour candidates were defeated, the "Old Gang" survived.

Further, people had borne the many restrictions and the heavy taxation during the war without complaint but had looked forward to reasonable relief when peace came. There was a growing feeling that the Minister of Finance had been far more niggardly in his concessions and remissions than Ministers in other parts of the Commonwealth and that this arose from his

* THE ROUND TABLE, No. 142, March 1946, p. 201.

desire for continued power. It was asking too much to expect people to continue to bear restrictions and burdens in peace-time because they had had the spirit and patriotism to do so in time of war.

Again, Labour's concentration on the slump of the 'thirties and the attempt to use the psychology of fear proved to be tactical blunders and gave the Nationalists the opportunity of asserting that, in Australia, Labour Governments of the time had been much harder on the people than the Government then in office in New Zealand. Perchance, too, world tendencies, which showed how Communism had used socialistic parties as a means of establishing itself and of promoting its own ends, influenced some voters. Disclosures of communistic activity in Australia and New Zealand made some voters think that immediate steps should be taken to arrest these tendencies. In this connexion the Government's failure to deal with serious breaches of the law committed by powerful unions and its deference to the views of organizations outside Parliament influenced other voters. Further, the Labour party was no longer united as it had been under Mr. Savage after years in Opposition. The schisms that had developed produced lack of vitality and of optimism. It may be, indeed, that the main reason for the defeat of the Labour Government was that it had grown old and people felt it was time for a change.

On the other hand, the National party was beginning to appreciate its growing strength; it seemed in better heart and more optimistic. It had promises for the future that it thought it could make. Time will test these and show whether the party over-played its hand.

The New Cabinet and the Old

ON December 7 Mr. Peter Fraser handed to the Governor General the resignation of his Ministry and on the following day Mr. S. G. Holland waited on His Excellency to submit the names of the new Ministers, who were sworn in a few days later. There are not many surprises in a well-balanced team. There are thirteen Ministers with portfolios and three without. The names have also been announced of two Parliamentary Under-Secretaries (one in Agriculture and one in Public Works) and of the two persons who will be nominated as Speaker and as Chairman of Committees. Mr. Holland will be Prime Minister, Minister of Finance, Minister-in-charge of Police, Legislative, Audit and Electoral Departments. He has introduced some innovations by selecting another Minister to act as Associate Minister of Finance and by appointing two Ministers without portfolios to assist the Prime Minister and be responsible for certain departments. Mr. K. J. Holyoake will be Deputy Prime Minister, Minister of Agriculture and Marketing and Minister-in-charge of the Department of Scientific and Industrial Research. The only woman on the Government side of the House is to be Minister without portfolio, in charge of the welfare of women and children.

The new Ministry is younger than the old. With possibly four exceptions all are on the right side of sixty—and many of them are much younger. Geographically eight of the sixteen Ministers are from Auckland city and province; there are four others from the North Island (two from Wellington

City, one from Taranaki and one from Hawke's Bay). From the South Island come four Ministers, including the Prime Minister (two from Christchurch, one from Otago and one from Southland). Rural interests predominate, for some nine of the new Ministers represent rural or largely rural areas. Five are lawyers, three farmers, two business men, two contractors, one a former university professor, one a public accountant, one a journalist and one a housewife.

Only two or three have had the briefest experience of ministerial office, but nearly all of them have achieved more than average success in their callings and have won their way by their own efforts. They have qualified as workers. Nearly half of them have served in the armed forces of the Dominion, one or two in both world wars; at least six are university-trained men. Many of the men and the woman have played their part in local government and when they have had some experience under the leadership of the Prime Minister they should be a good team.

The Prime Minister has announced that New Zealand will be represented at the coming conference at Colombo and he made a good beginning by asking Mr. Fraser to be one of the delegation. Unfortunately Mr. Fraser was unable to accept the invitation.

So new hands take hold of the reins of Government. But whatever mistakes Labour made and whatever weaknesses it manifested during its fourteen years of office, its achievements ought not to be forgotten. Its interest in and administration of educational and cultural purposes marked a distinct advance, and in the field of social security, in the bitter tests of war, in the great tasks of rehabilitation and in the councils of the United Nations it has a worthy record. When the smoke of the election clears away, these achievements will be seen more clearly and will receive the acclaim they merit.

Licensing Poll

FOR the first time the Maoris, other than those who voted as members of the forces during the war, had a vote on the licensing issue, and the results of the voting are interesting: Continuance 20,493; National Prohibition 6,527; State Purchase and Control 4,734.

The voting in the European electorates was also overwhelmingly in favour of continuance. The final figures are not yet available, but the most striking feature is the fall in the vote for State Purchase and Control. Prohibition seems to be a lost cause in New Zealand.

New Zealand,

January 1950.

CEYLON

THE SECOND YEAR OF THE CONSTITUTION

THE year 1949 has been comparatively quiet politically. The first session of the Parliament of "Independent Ceylon", though the second of the present Parliament itself, opened in February 1948, and was allowed to drag on till June, the intention being that the Finance Minister's budget speech should follow closely on that of the Governor General or "King's Speech" at the opening of the session.

Parties in Parliament

THE Government parliamentary party remains a somewhat loose-jointed collection of Government supporters, though its party discipline in both Houses is well maintained. Its main component is the United National party, the core of which consists of the personal followers of the Prime Minister, the most active of whom is perhaps Sir John Kotelawala, Minister of Transport and Works. Two former organizations, the Sinhala Maha Sabha and the Ceylon National Congress, went in with the U.N.P. at the outset. They did not, however, merge completely, but retain their identities. The former consists exclusively of Sinhalese, and is headed by the Leader of the House of Representatives, Mr. Bandaranaike; it is not very active politically at present. The latter is presided over by an ex-minister who was disfranchised after an election petition: it is showing some signs of breaking away from the U.N.P., but it seems to have lost nearly all its former significance, and to count for very little. The Tamil Congress, formerly a united body led by Mr. Ponnambalam, now Minister of Industries and Fisheries, has split, and two out of its seven members in the House of Representatives remain in opposition, while four vote with the Government; the dissidents aim at a federal form of constitution, which they hold to be the only means by which the Tamil community will have a fair chance. It is generally thought, however, that the majority of the Tamil population will follow Mr. Ponnambalam's lead; but this is contingent on fair and tactful treatment by the majority community, and on this he is banking. He has made a capable and perhaps over-energetic Minister, and if his hopes are realized, as they ought to be, the Tamils should gradually lose their present nervousness about being dominated by the Sinhalese. The Muslims have all along thrown in their lot whole-heartedly with the Government. Its other supporters include the one and only representative of the non-Marxist Labour party, Mr. Goonesinha, who is, oddly enough, Chief Government Whip as well as Minister without Portfolio, and a few Independents, most of whom to all intents and purposes seem to have merged into the U.N.P., while a small group of "appointed" members drawn from the European and Burgher communities gives the Government its general support. The Government can count on 62 out of 100 votes in the

House of Representatives. The U.N.P. has taken great pains to improve its organization, and has been carrying out propaganda campaigns mainly in the south of the island, from which nearly all the Marxist members come.

The Opposition remains divided into a congeries of groups; these groups are united in nothing but dislike for the Government, but usually vote together. Professed Marxists constitute rather over half the Opposition, but even these are divided into three groups. Two of them are "Trotskyist": between these two there may be some small ideological differences—they are not apparent to the outsider; but what really divides them is the personal feeling between their two leaders. The third group is out-and-out "Stalinite", and is known officially as the Communist party. The larger Trotskyist group, the "Lanka Sama Samaj" party, is led by Dr. N. M. Perera, who is a really good parliamentarian, one of the best in the House: during the past year rumour has trifled with his name as a possible recruit to the Government or even to the Cabinet, though probably without foundation. The leader of the other group is Dr. Colvin de Silva, an eminent member of the Colombo Bar, who talks at great length about revolution, but who can expound his case admirably in the correct parliamentary manner when he forgets to be demagogic; his party is perhaps a little more to the left than that of Dr. Perera. Though these two parties nearly, if not quite, always work together in Parliament, the feeling between them is apt to be bitter outside its doors, and recently there was a fracas between some of their most prominent supporters after an unsuccessfully fought by-election, ending in a court case.

The Communist party is led in Parliament by Mr. Pieter Keuneman, the son of a distinguished Burgher ex-judge, and the only Marxist M.P. who is not a Sinhalese. It consisted originally of five members, but two of them have since been cast out, presumably for unorthodoxy. This party opposes on principle practically every measure put up by the Government. The real leader is a former member of the old State Council, Dr. Wickremesinghe, who has represented the Communist party of Ceylon at the W.F.T.U. and other conferences, and has visited Moscow more than once; he is not at present a Member of Parliament.

These three groups quarrel constantly and heatedly with each other,* like Marxists in most other countries not under the domination of the U.S.S.R. Their one common characteristic, besides professed faith in Marxism (which the outsider is apt to suspect of being more believed in than understood by the rank and file inside and outside Parliament), is the essentially *bourgeois* character of every Marxist Senator and M.P. Not one of them has come up from the working classes, or graduated for a political career through membership of a trade union: several of them are, however, trade-union leaders, as is perhaps inevitable in a country where so many trade unionists are illiterate or semi-literate. They are for the most part drawn from the legal and teaching professions, ex-government-servants and even landed proprietors. All three leaders were educated at universities in England.

The extent of their real influence in the country, and even in their own

* The two Trotskyist sections appear to be settling their differences, and plans are on foot for some kind of union between them.

constituencies, is not easy to measure. They organize public meetings, which are fairly well attended, and processions chanting slogans—a favourite form of amusement with the people of this country. They are popular among the students of the University, where their sectional quarrels are enthusiastically carried on in miniature. All the constituencies which have returned Marxist members, with one exception, lie contiguously along the south-west and south coasts, or just inland from them, and are for the most part prosperous compared with many other parts of the island; there seems little doubt that personal or family influences had a good deal to do with the return of a number of them. Their behaviour in the House of Representatives, and in the Senate, where each section is represented by one Senator, has in general been exemplary, though their abstention from such functions as the formal opening of Parliament by the Governor General and the presentation of a Speaker's chair and mace by a delegation from the British House of Commons a year ago is considered discourteous in government circles.

It is on the whole doubtful if Marxist principles make much appeal to the people of the country, who have a strong sense of ownership, and who are generally tolerant and easygoing. It is notable that the comparatively hard-headed and practical Tamil community have not returned any Marxists, and what Marxist propaganda has been directed towards them has had small success. If there is no severe economic slump before the next general elections the votes of the Marxist constituencies may well reflect those of the recent local elections in those parts, in which there has been a swing away from the Left. The main exception to this has been in Colombo, the only truly urban area in Ceylon, where some discreditable election scandals, which were brought to light just before the municipal elections by a specially appointed commission, and which involved some members of the U.N.P., caused that organization to refrain deliberately from taking part and many middle-class people to abstain from voting—or so it is generally held. "Leftists" have been elected as Mayor and Deputy Mayor: it is amusing to record that the three Communist-party municipal councillors, including Mr. Keuneman himself, who helped to vote a Trotskyist in as Deputy Mayor, have been severely censured by their party executive, and have done public penance.

The non-Marxist part of the Opposition includes the Indian members who were returned by the estate labour vote, the rump of the Tamil Congress opposition, and nine members of varying views, most of them imbued with a somewhat milk-and-water type of Socialism.

Policy of the Government

THE general policy of the Government has been to carry on with the Six Year Plan* outlined in the Finance Minister's budget speech of 1948. The economy of the island continues to depend largely on the three agricultural export crops, tea, rubber and coconuts; but the Government aims, on a long-term view, at achieving a more balanced economy by encouraging food production and by promoting a measure of industrialization. This must necessarily be a matter of time, whereas during 1949 the state of the world

* See THE ROUND TABLE, No. 154, March 1949, pp. 195-6.

market for rubber caused much immediate anxiety; the situation appears to have been relieved by the devaluation of the rupee, as far as that particular industry is concerned. Tea and coconut products, with a market largely in the sterling and non-dollar areas, have of late been fetching high prices. As a result, the balance of payments for 1949, which the Minister of Finance in his budget speech saw fit to estimate as an adverse one of 190 million rupees, may even turn favourable, as happened in 1948 after his similar though less gloomy forecast. If so, this may have repercussions on the questions of the amount of releases from the sterling balances and of the Government's policy of restricting imports, both of which have been largely based on this mistaken estimate. The Government's Six Year Plan has advanced little farther than the blue-print stage, except for the construction on the river Gal-Oya in the Eastern province of a big many-purpose dam for irrigation, flood relief and the generation of electric power. The American contractors who are doing the work are going ahead very rapidly, and a Development Board on lines somewhat similar to the Tennessee Valley Authority, though subject to much more governmental control, has recently been created to develop the irrigable area, in which it is intended to encourage, among other crops, the growing of sugar and of cotton. The other major achievement is the building of a big cement factory in the Northern province, which it is expected will come into production some time this year, and will supply all Ceylon's needs; it will be interesting to see if its product can be marketed at a competitive price.

The Minister of Industries introduced a quite novel measure, the Industrial Products Act, which forces importers of any article which is also manufactured in Ceylon to buy concurrently a quota of the locally produced article. This measure naturally met with considerable opposition from importers, but the Minister gave assurances that the local products would not be forced upon them unless they were of a satisfactory standard; as it has only very lately been put into operation, its success remains problematical. The project was the subject of discussion at the Annecy Conference, where it was held in some respects to conflict with the General Agreement on Tariffs and Trade, and its scope has been, in consequence, somewhat limited.

Finance

THE Finance Minister's budget speech in July produced no particular surprises: there were some small reductions in income-tax, the first since that tax was introduced in 1932, and a certain revision of import duties directed to reduce those on materials which aid production, with which end in view the Minister has wisely instituted an Import Duties Advisory Board to assist him in framing a more scientific schedule of tariffs. Much of his speech dealt with the question of unemployment, and the Opposition concentrated mostly on this point during the ensuing debate, holding it to be very serious; government spokesmen were inclined to doubt this, but anxious to solve the problem. An unemployment census has since been taken, but the results are not yet available.

The Minister considered the island's economic position to be generally satisfactory: the national debt, he said, amounted to only one-quarter of the

country's revenue for the current year. He proposed to raise a "National Development Loan" of 400 million rupees to finance the Six Year Plan, but even this would only increase the debt to an amount equal to one-third of the estimated national income, and a little more than the revenue. He emphasized the need for the encouragement of foreign capital, though he was vague about the conditions on which it would come in. Even now the majority of the total capital invested in this country from any source is British in origin; the proportion is estimated at not less than 80 per cent. The Minister also pointed out that there had been no necessity to draw on Ceylon's sterling balances with the United Kingdom, which had in fact increased. He spoke enthusiastically of the results which would follow the setting up of a Central Bank, and towards the end of the year an Act was passed to bring this into being. The U.S.A. Federal Reserve Bank had lent Ceylon one of its officials, Mr. John Exter, to advise on this project; the Bill was his work. The new Bank will be very similar to that set up in the Philippines. The principal criticisms of the Bill were that its provisions were too rigid and that a governing body of three, none of whom need necessarily have any financial or banking experience, but who are given very wide powers, was too small; their lack of experience might be very dangerous.

The devaluation of the rupee to the same dollar rate as that fixed in Britain naturally produced considerable controversy, but the Finance Minister argued that it was the only way of rescuing the rubber industry. There has been a certain amount of resentment at the presentation of a *fait accompli* by Sir Stafford Cripps in this matter, though it has here been voiced by the Opposition rather than, as in India, by the Government.

Legislation

IN addition to the legislative enactments already mentioned, there have been several others of importance, the most controversial being an Act to amend the Parliamentary Elections Order in Council. This has to be taken in conjunction with another Bill,* which so far has been presented but not debated, to amend the Constitution Order in Council, and which under the terms of this Order requires a two-thirds majority of the whole House of Representatives. The Elections Bill provoked bitter opposition in both Houses, for its main object was to limit the franchise to citizens of Ceylon; this will disfranchise nearly all European voters, a small number, and a very large number of Indians, mostly estate labourers. Furthermore, it will cause the seven Indian members of the House of Representatives to lose their seats unless they see fit to register themselves as citizens of Ceylon, which probably all of them could do under the provisions of the Indian and Pakistani Residents Citizenship Act. But there are a few minor disadvantages attached to citizenship by registration under this Act, in particular the disability to take up land under the Crown Lands Ordinance, and in consequence the Indians profess to regard it as an altogether unworthy type of citizenship. A large number of Indian residents, some of whose forebears have been in Ceylon for several generations, are eligible under the above Act, and some

* The Bill comes up for second reading as the article goes to press.—*Editor*.

of them under the general Citizenship Act, for citizenship of Ceylon: but most of them, in particular the estate labourers, have so far shown little anxiety to claim it. The Opposition maintain that the procedural difficulties in establishing a claim will be so complicated and expensive that few will be successful in getting it. But the main objection to the Bill raised in Parliament was that it was in reality an attempt to disfranchise many thousands of the working classes, and hence a subtle attack on trade unionism. The Indian vote, which became operative under the "Donoughmore Constitution" in 1931, has always been unpopular with the Sinhalese, particularly the Kandians of the hilly districts, who have been partially swamped by it, and it was only to be expected that the leaders of an independent Ceylon would take early steps to do away with this franchise. It may be remarked that in the constitutional Bill provision is found to make those resident Commonwealth citizens who are not citizens of Ceylon eligible to be elected or appointed to either House of Parliament, provided that there is reciprocal treatment in their countries of origin: this is the case in the United Kingdom, but it is more than doubtful if it will be so in India.

A Food and Drugs Act, a very necessary measure to improve the sanitary conditions under which food is processed and sold, has been passed, but considerable administrative difficulty is being experienced in putting its provisions into practice. Several other acts to improve the social services have also become law, and more are expected during 1950: most of these seek to improve the administrative methods of the existing services.

Little more has been heard of the Defence Agreement with Britain, but Acts have been passed to enable an Army, a Navy and an Air Force to be established in Ceylon. These Services are very much in embryo, the last-named not existing even on paper. They will be very small, but the British garrison was quite minute for many years except, of course, during the war; it is now in the process of departure. The future of the Trincomalee naval base is a matter of conjecture. A "Visiting Forces" Act has been passed to make provision for administrative and disciplinary conditions should such forces come to or remain in the island.

The Working of the Constitution

THE second year of the new Constitution has proved it to be generally workable, though it has brought to light certain weaknesses. Some of the Ministers are accused of being too autocratic in their methods, and the Government is often blamed for using its majority in both Houses to force measures through too quickly and without paying adequate attention to suggested improvements. The Cabinet works together fairly well, mainly owing to the tact and personality of the Prime Minister, Mr. Senanayake, whose political stature continues to grow; but differences between some of the Ministers have been at times too obvious, and some ministerial utterances, particularly from the Minister without Portfolio, too indiscreet. However, it is only fair to say that the idea of the Cabinet's collective responsibility is better understood than it was. Mr. Senanayake is still the outstanding figure in the political life of Ceylon, and his genial charac-

ter is making him very popular with the delegates to the Commonwealth Conference.

The Senate has been rather a disappointment, for it has not been allowed to develop its proper functions as a revising chamber on account of the too violent cracking of the party whip. A recent improvement has been the introduction into this House of a Bill which, while of a comparatively non-controversial character from the party angle, nevertheless needs critical discussion; the Senate has appointed a Select Committee for this purpose. It is to be hoped that this practice will be developed, and the reins of party discipline loosened.

The position of the Permanent Secretaries is another weak point. A Permanent Secretary under this Constitution is usually a member of the Civil Service, and has control of several departments, with the working of at least some of which he can have little acquaintance. Whereas in the United Kingdom a Permanent Secretary may almost be said to have grown into his position, here he is appointed by the Prime Minister and is far too easily removable. Hence there is a danger of his not giving to his chief that impartial and outspoken advice and opinion which a good Permanent Secretary ought to give. There is a feeling, among at any rate a section of senior government servants and of the public, that there is altogether too much political interference with the course of administration—an unfortunate legacy from the former Executive Committee system—and this is held to be responsible for the premature retirement of a number of able Ceylonese public servants. Most of the European government servants have retired, though there are about fifty left, including three Permanent Secretaries: there have been some new arrivals, but these have come on contract for a period of years.

This article is being written while the Commonwealth Foreign Ministers' Conference is going on in Colombo. There is much satisfaction that Ceylon has been chosen for its meeting-place, and those responsible for the arrangements have made every effort to see that Ceylon lives up to her reputation for hospitality. Problems of accommodation were difficult, but most difficult of all was the number of invitations to social functions showered upon the delegates; these have had to be limited as far as possible, but even now are something of a strain. The presence of Pandit Nehru has evoked great enthusiasm, and precautions have had to be taken to safeguard him from his over-zealous admirers wherever he goes.

The presence of so many world-figures in Ceylon at once may help to broaden the very insular attitude which is generally characteristic of its people, even of the educated portion. This article is not the place in which to discuss the business or general significance of this Conference. But as the state of China was one of the main points, it may be remarked that the leading men of the country will do well to draw from the fall of the Chinese Nationalists one object-lesson, the danger of failing to check corruption in both the political and the administrative spheres. There is a strong feeling among all classes that this has not been done, though it is an item on the credit side that two Bribery Commissions have sat, one to deal with corrup-

tion among Government servants—its report is not yet available—the other with the Municipality of Colombo, with the startling results referred to above. A movement is on foot to set up a permanent Bribery Commission, and the leaders of the country will be well advised to take heed of it while there is yet time.

Ceylon,

January 1950.



PRINTED IN GREAT BRITAIN
AT THE UNIVERSITY PRESS, OXFORD
BY CHARLES BATEY
PRINTER TO THE UNIVERSITY

